

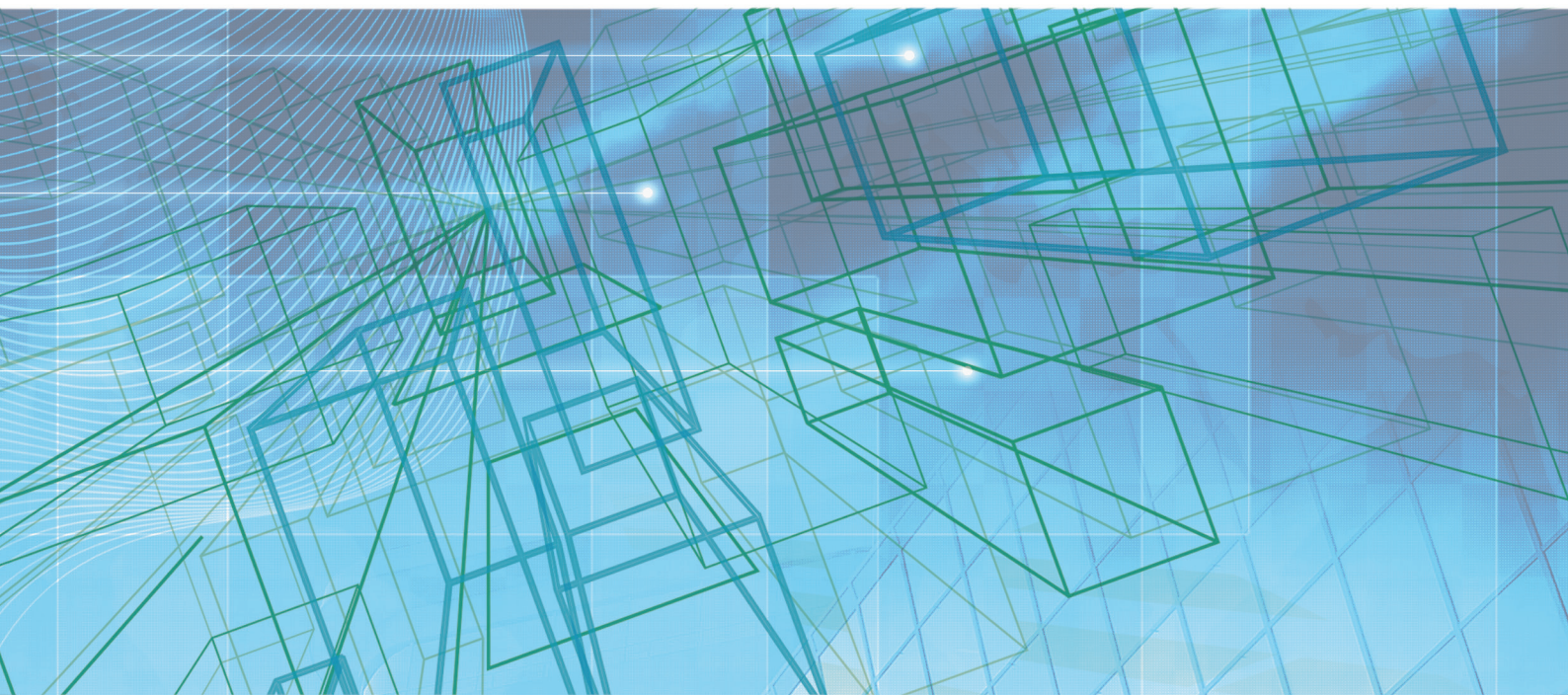


MACAU E&M HOLDING LIMITED
濠江機電控股有限公司

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



GLOBAL OFFERING

Sole Sponsor



Sole Global Coordinator and Sole Bookrunner



IMPORTANT

IMPORTANT: If you are in any doubt about the contents of this prospectus, you should obtain independent professional advice.



Macau E&M Holding Limited **濠江機電控股有限公司**

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	: 125,000,000 Shares (comprising 103,100,000 new Shares and 21,900,000 Sale Shares)
Number of Hong Kong Offer Shares	: 12,500,000 Shares (subject to reallocation)
Number of International Placing Shares	: 112,500,000 Shares (comprising 90,600,000 new Shares and 21,900,000 Sale Shares) (subject to reallocation)
Offer Price	: not more than HK\$1.20 per Offer Share and expected to be not less than HK\$1.00 per Offer Share, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value	: HK\$0.01 per Share
Stock Code	: 1408

Sole Sponsor



Sole Global Coordinator and Sole Bookrunner



Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the paragraph headed "Documents delivered to the Registrar of Companies" in Appendix V to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required under section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be determined by an agreement to be entered into between our Company (for ourselves and on behalf of the Selling Shareholders) and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on the Price Determination Date, which is expected to be on or around Thursday, 3 September 2020, and in any case no later than Tuesday, 8 September 2020. The Offer Price will be not more than HK\$1.20 and is currently expected to be not less than HK\$1.00, unless otherwise announced. If our Company (for ourselves and on behalf of the Selling Shareholders) and the Sole Global Coordinator (for itself and on behalf of the Underwriters) are unable to reach an agreement on the Offer Price by Tuesday, 8 September 2020, the Global Offering (including the Hong Kong Public Offering) will lapse and will not proceed. In such case, a notice will be published on the Stock Exchange's website at www.hkexnews.com and our Company's website at www.macaueem.com.

The Sole Global Coordinator (for itself and on behalf of the Underwriters) may, with the consent of our Company, reduce the number of Offer Shares in the Global Offering and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such case, a notice will be published on the Stock Exchange's website at www.hkexnews.com and our Company's website at www.macaueem.com not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Further details are set out in "Structure of the Global Offering" and "How to apply for Hong Kong Offer Shares" in this prospectus.

Prior to making any investment decision, prospective investors should consider carefully all the information set out in this prospectus, including the risk factors set out in "Risk factors" in this prospectus.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe for, and to procure applicants to subscribe for, the Hong Kong Offer Shares, are subject to termination by the Sole Global Coordinator (for itself and on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Please refer to "Underwriting – Underwriting arrangements and expenses – Grounds for termination" in this prospectus for further details of such grounds for termination.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or the securities laws of any state in the United States, and may not be offered, sold, pledged or transferred within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in accordance with any applicable state securities laws in the U.S. The Offer Shares are being offered and sold only outside of the United States in offshore transactions in reliance on Regulations S of the U.S. Securities Act.

31 August 2020

EXPECTED TIMETABLE

We will issue an announcement in Hong Kong to be published on the Stock Exchange's website at **www.hkexnews.hk** and our Company's website at **www.macauem.com** if there is any change to the following expected timetable of the Hong Kong Public Offering.

(Note 1)

Hong Kong Public Offering commences and
WHITE and **YELLOW** Application Forms

available from 9:00 a.m. on Monday,
31 August 2020

Latest time to complete electronic applications
under the **HK eIPO White Form** service

through the designated website at

www.hkeipo.hk or **IPO App**, which can be
downloaded by searching “**IPO App**”

in App store or Google Play or downloaded

at **www.hkeipo.hk/IPOApp** or

www.tricorglobal.com/IPOApp^(Note 2) 11:30 a.m. on Thursday,
3 September 2020

Application lists of the Hong Kong Public

Offering open^(Note 3) 11:45 a.m. on Thursday,
3 September 2020

Latest time to complete payment for the

HK eIPO White Form applications by
effecting internet banking transfer(s) or

PPS payment transfer(s) 12:00 noon on Thursday,
3 September 2020

Latest time to lodge **WHITE** and **YELLOW**

Application Forms 12:00 noon on Thursday,
3 September 2020

Latest time to give **electronic application**

instructions to HKSCC^(Note 4) 12:00 noon on Thursday,
3 September 2020

Application lists of the Hong Kong

Public Offering close 12:00 noon on Thursday,
3 September 2020

Expected Price Determination Date^(Note 5) on or around Thursday,
3 September 2020

EXPECTED TIMETABLE

- (i) Announcement of:
the final Offer Price;
the level of applications in the
Hong Kong Public Offering; the level
of indications of interest in the
International Placing; the basis of
allocation of the Hong Kong Offer Shares;
and the number of Offer Shares reallocated,
if any, between the Hong Kong Public
Offering and the International Placing to be
published on or before Thursday,
10 September 2020
- (ii) Announcement of results of allocation of the
Hong Kong Public Offering (with identification
document numbers or business registration
numbers of successful applicants, where
appropriate) to be available through a variety of
channels as set out in “How to apply for
Hong Kong Offer Shares – 11. Publication of
results” in this prospectus from Thursday,
10 September 2020
- (iii) A full announcement of the Hong Kong Public
Offering containing (i) and (ii) above will be
published on the Stock Exchange’s website at
www.hkexnews.hk and our Company’s
website at **www.macauem.com** from Thursday,
10 September 2020

Results of allocations in the Hong Kong Public Offering
will be available at **www.tricor.com.hk/ipo/results**
and **www.hkeipo.hk/IPOResult** or **IPO App** with a
“search by ID/Business Registration Number”
function from Thursday,
10 September 2020

Despatch/collection of share certificates or deposit of the
share certificates into CCASS in respect of wholly or
partially successful applications pursuant to the
Hong Kong Public Offering on or about^(Note 6) Thursday,
10 September 2020

EXPECTED TIMETABLE

Despatch of **HK eIPO White Form** e-Auto Refund
payment instructions/refund cheques in respect of
wholly or partially successful applications pursuant
to the Hong Kong Public Offering on
or about^(Notes 7 to 8) Thursday,
10 September 2020

Dealings in the Shares on the Stock Exchange expected
to commence at 9:00 a.m. on Friday,
11 September 2020

Notes:

- (1) All times and dates refer to Hong Kong local time, except otherwise stated. Please refer to “Structure of the Global Offering” in this prospectus for further details of the structure of the Global Offering, including conditions of the Global Offering.
- (2) You will not be permitted to submit your application through the designated website at **www.hkeipo.hk** or **IPO App** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website or **IPO App** prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above or “extreme conditions” caused by a super typhoon in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 3 September 2020, the application lists will not open on that day. Please refer to “How to apply for Hong Kong Offer Shares – 10. Effect of bad weather and/or extreme conditions on the opening of the application lists” in this prospectus for further details.
- (4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to “How to apply for Hong Kong Offer Shares – 6. Applying by giving **electronic application instructions** to HKSCC via CCASS” in this prospectus for further details.
- (5) The Price Determination Date is expected to be on or around Thursday, 3 September 2020. If, for any reason, the Offer Price is not agreed by Tuesday, 8 September 2020 between our Company (for ourselves and on behalf of the Selling Shareholders) and the Sole Global Coordinator (for itself and on behalf of the Underwriters), the Global Offering will not proceed and will lapse accordingly.
- (6) Share certificates for the Offer Shares are expected to be issued on or about Thursday, 10 September 2020, but will only become valid certificates of title at 8:00 a.m. on Friday, 11 September 2020, provided that: (i) the Global Offering has become unconditional in all respects; and (ii) none of the Underwriting Agreements has been terminated in accordance with its own terms.
- (7) Refund cheques or e-Auto Refund payment instructions will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant’s Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant’s Hong Kong identity card number or passport number before encashment of the refund cheque. Inaccurate completion of an applicant’s Hong Kong identity card number or passport number may invalidate or delay encashment of the refund cheque.

EXPECTED TIMETABLE

- (8) Applicants who have applied on **WHITE** Application Forms or through the **HK eIPO White Form** service for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by the Application Form may collect any refund cheques and/or Share certificates in person from our Company's Hong Kong Branch Share Registrar at Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, 10 September 2020 or such other date as notified by our Company in the newspapers as the date of despatch/collection of share certificates/e-Auto Refund payment instructions/refund cheques. Individual applicants who are eligible for personal collection may not authorise any other person to collect on their behalf. Corporate applicants which are eligible for personal collection may arrange for collection by their authorised representatives bearing letters of authorisation from the corporation stamped with the corporation's chop. Both individuals and authorised representatives of corporations must produce evidence of identity acceptable to our Hong Kong Branch Share Registrar at the time of collection.

Applicants who have applied on **YELLOW** Application Forms for 1,000,000 or more Hong Kong Offer Shares may collect their refund cheques, if any, in person but may not collect their share certificates as such share certificates will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit to their or the designated CCASS Participants' stock account as stated in their Application Forms. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

Applicants who have applied through the **HK eIPO White Form** service and paid their applications monies through single bank accounts may have refund monies (if any) despatched to those bank accounts in the form of e-Auto Refund payment instructions. Applicants who have applied through the **HK eIPO White Form** service and paid their application monies through multiple bank accounts may have refund monies (if any) despatched to the addresses as specified in their application instructions in the form of refund cheques by ordinary post at their own risk.

Applicants who have applied for less than 1,000,000 Hong Kong Offer Shares and any uncollected Share certificates and/or refund cheques will be despatched by ordinary post, at the applicants' risk, to the addresses specified in the relevant applications.

The above expected timetable is a summary only. Please refer to “Structure of the Global Offering” and “How to apply for Hong Kong Offer Shares” in this prospectus for further details of the structure of the Global Offering, including the conditions of the Global Offering and the procedures for application for the Hong Kong Offer Shares.

CONTENTS

IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Global Offering and the Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any securities in any jurisdiction where such would be prohibited. No action has been taken to permit a public offering of the Offer Shares in any jurisdictions other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdictions other than Hong Kong. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. Our Company and the Selling Shareholders have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by us, the Selling Shareholders, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, any of our or their respective directors or any other persons or parties involved in the Global Offering.

	<i>Page</i>
Expected timetable	i
Contents	v
Summary	1
Definitions	24
Glossary of technical terms	36
Forward-looking statements	38
Risk factors	39
Waiver from strict compliance with the Listing Rules	60
Information about this prospectus and the Global Offering	62
Directors and parties involved in the Global Offering	66
Corporate information	71

CONTENTS

Industry overview	73
Regulatory overview	89
History, Reorganisation and corporate structure	98
Business	119
Relationship with Controlling Shareholders	218
Directors and senior management	227
Substantial shareholders	239
Share capital	241
Financial information	244
Future plans and use of proceeds	311
Underwriting	332
Structure of the Global Offering	345
How to apply for Hong Kong Offer Shares	356
Appendix I – Accountants’ Report	I-1
Appendix II – Unaudited pro forma financial information	II-1
Appendix III – Summary of the constitution of our Company and Cayman Islands company law	III-1
Appendix IV – Statutory and general information	IV-1
Appendix V – Documents delivered to the Registrar of Companies and available for inspection	V-1

SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all of the information which may be important to you and is qualified in its entirety, and should be read in conjunction with, the full text of this prospectus. You should read the whole prospectus including the appendices hereto, which constitutes an integral part of this prospectus, before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks of investing in the Offer Shares are summarised in “Risk factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

BUSINESS OVERVIEW

We are an E&M engineering services works contractor in Macau. According to the Industry Report, our Group ranked fifth among the E&M engineering services works contractors in Macau in 2019, with a market share of approximately 1.9% in terms of revenue in the Macau E&M engineering services industry in 2019. As an integrated E&M engineering services works contractor and registered with DSSOPT, we provide a comprehensive mix of E&M engineering services works based on the needs of our customers in Macau, which generally involve a combination of the supply and/or installation of (i) LV systems works; (ii) HVAC systems works; and (iii) ELV systems works, and the relevant testing and commissioning thereof as well as management and monitoring of quality and delivery of our E&M engineering services works. LV systems works include the supply and installation of cables, earthing, lighting systems, power cables, electrical wiring, switchboards, power outlets and other related electrical equipment that relates to the power supply and distribution within a building. HVAC systems works include the supply and installation of variable refrigerant volume units, ventilation and exhaust air systems for buildings, as well as the supply and installation of related pipes, ducts, air-conditioning units, ventilation fans and other related equipment. ELV systems works include the procurement and installation of telephones, CCTV and any other systems within a building that require a transmission signal. Please refer to “Business – Our business – Our business streams” in this prospectus for further details. We also provide maintenance and repair services.

Our business began in 2011 focusing initially on public sector E&M engineering services works projects. Leveraging on our experience and expertise in our public sector projects, we gradually expanded into the private sector. During the Track Record Period, we experienced substantial growth in our private sector projects. The majority of our projects from the private sector comprised works in relation to E&M engineering services works carried out on world class hotels and integrated entertainment resorts. During the Track Record Period, our revenue generated from projects for integrated entertainment resorts amounted to approximately MOP113.8 million, MOP150.6 million, MOP131.1 million and MOP42.1 million, respectively, representing approximately 70.8%, 69.0%, 55.1% and 86.8% of our total revenue, respectively.

SUMMARY

During the Track Record Period and up to the Latest Practicable Date, we were engaged either as the project's main contractor or subcontractor and all of our E&M engineering services works contracts were obtained through quotations or restricted tenders. For the three years ended 31 December 2019, our overall tender/quotation success rate decreased from approximately 56.1% in 2017 to approximately 49.4% in 2019, mainly due to the decrease in our tender/quotation success rate for our subcontractor contracts from approximately 87.0% in 2017 to approximately 38.1% in 2019 owing to the increase in the number of tender/quotation invitations received by us for our main contractor projects from 2017 to 2019 to which we proactively submitted our tenders/quotations in order to gradually assume the role of a main contractor and as such our project management staff and finance and administration staff were preoccupied with the preparation of the relevant tender/quotation submissions for such main contractor projects. Our tender/quotation success rate for our main contractor contracts increased from approximately 39.5% in 2017 to approximately 52.9% in 2019, which was in line with our Group's business expansion plan to further develop our capability as a main contractor. During the Track Record Period, we had 15, 54, 51 and 21 main contractor contracts that contributed approximately 5.0%, 40.6%, 34.5% and 87.5% of our total revenue respectively. As we are gradually evolving to assume the role of main contractor, our Directors believe that, by proactively and continuously seeking opportunities to act as a main contractor for E&M projects, our Group will be able to accumulate tendering experience as well as business connections and goodwill, which will in turn enable us to further increase our chance of assuming the role of main contractor in the future.

As at 30 June 2020, we had 63 projects on hand and the amount of revenue expected to be recognised from these projects will be approximately MOP289.5 million, MOP83.4 million and MOP15.9 million for the 10 months ending 31 December 2020, the year ending 31 December 2021 and the year ending 31 December 2022, respectively.

Our financial results may fluctuate in each financial year due to the fact that (i) our business is project-based; (ii) our revenue is recognised with reference to the respective stages of completion of our projects; and (iii) our mix of E&M engineering services works rendered may vary from time to time, which in turn affects our overall profitability due to the different operation models and cost structure for each business stream.

OUR BUSINESS STREAMS

We provide E&M engineering services works that generally involve a combination of the supply and/or installation of (i) LV systems works; (ii) HVAC systems works; and (iii) ELV systems works, and the relevant testing and commissioning thereof as well as management and monitoring of quality and delivery of our E&M engineering services works, depending on the needs of our customers. Depending on the scope, nature, scale and complexity of the works, and the availability of our workers at the time, (i) we generally procure LV systems materials and equipment as required by our customers and carry out the installation of LV systems with our experienced engineers and pool of skilled workers; (ii) we generally engage our subcontractors to procure and install the ELV systems while our workers would be responsible for supportive installation works; and (iii) we generally procure the HVAC equipment in accordance with our customers' required specifications but subcontract substantial HVAC systems installation works to our subcontractors. Please refer to "Business – Our business – Our business streams" in this prospectus for further details.

SUMMARY

OUR COMPETITIVE STRENGTHS

We believe that our competitive strengths are as follows:

- We are an integrated E&M engineering services works contractor in the public and private sectors in Macau with an established track record;
- We are capable of providing integrated and comprehensive E&M engineering services solution to our customers;
- We have established strong and stable relationships with our customers as well as subcontractors and suppliers;
- We have an experienced engineering team supported by a stable pool of skilled workers; and
- We have an experienced and dedicated management team with professional qualifications and substantial industry experience and expertise.

OUR BUSINESS STRATEGIES

We aim to strengthen our market position as an integrated E&M engineering services works contractor in Macau and expand the scale of our business operations by capturing the up and coming opportunities in E&M engineering services industry in both public and private sectors by pursuing the following strategies:

- We plan to strengthen our financial position to further develop our capability as main contractor and/or to participate in more large-scale construction projects;
- We plan to expand our workforce by recruiting additional skilled professionals and labour; and
- We plan to acquire construction machineries and equipment to facilitate our business expansion plans.

SALES AND CUSTOMERS

Our Directors consider that the business development and success of an E&M engineering services works contractor depend principally on word-of-mouth referrals and proven track record. To maintain our competitive edge in the market, from time to time, our management pro-actively reaches out to our customers, who are mainly main contractors or project owners.

SUMMARY

Our customers in the public sector are generally the main contractors of the construction industry in Macau, who are usually engaged by various government departments. In the private sector, our customers mainly include the main contractors engaged by world class hotels and integrated entertainment resort operators for the most part, and to a lesser extent, other commercial entities. During the Track Record Period, the revenue derived from our top five customers collectively accounted for approximately 93.7%, 93.5%, 87.6% and 97.3% of our total revenue, respectively; and the revenue derived from our largest customer accounted for approximately 57.9%, 40.4%, 30.5% and 85.9% of our total revenue, respectively.

During the Track Record Period, Customer D was one of our top five customers and the revenue derived from Customer D was approximately MOP7.8 million, MOP63.7 million, MOP72.6 million and MOP41.7 million, respectively which accounted for approximately 4.8%, 29.2%, 30.5% and 85.9% of our total revenue, respectively. In 2017, 2018 and 2019, ACEL was one of our top five customers. In 2017, 2018 and 2019, the revenue derived from ACEL was approximately MOP93.1 million, MOP88.1 million, and MOP58.7 million, respectively which accounted for approximately 57.9%, 40.4% and 24.7% of our total revenue, respectively. Please refer to “Business – Customers – Concentration of customers” in this prospectus for further details.

PROCUREMENT AND SUPPLIERS

We source our raw materials and supplies on a needs basis as required by each project, and we do not enter into any long term supply agreement with our suppliers. We make our purchases according to the needs and specifications of each project.

During the Track Record Period, the purchases from our top five suppliers collectively accounted for approximately 39.4%, 46.7%, 48.5% and 82.0% of our total purchases, respectively; and the purchases from our largest supplier accounted for approximately 10.0%, 18.8%, 25.7% and 51.0% of our total purchases, respectively. Please refer to “Business – Suppliers” in this prospectus for further details.

SUBCONTRACTORS

Depending on the scale and complexity of a particular project, and the availability of our labour resources at the time, we may delegate certain works to subcontractors. During the Track Record Period, our subcontracting costs amounted to approximately MOP84.3 million, MOP105.9 million, MOP114.6 million and MOP26.7 million, respectively, representing approximately 71.7%, 63.0%, 62.1% and 72.9% of our total cost of services, respectively.

We select our subcontractors based on a number of criteria. During the Track Record Period, the subcontracting costs paid to our top five subcontractors collectively accounted for approximately 88.3%, 71.0%, 55.7% and 94.0% of our total subcontracting costs, respectively; and the subcontracting costs paid to our largest subcontractor accounted for approximately 37.3%, 39.2%, 16.8% and 32.5% of our total subcontracting costs, respectively. Please refer to “Business – Subcontractors” in this prospectus for further details.

SUMMARY

OVERLAPPING OF CUSTOMER AND SUBCONTRACTOR

During the Track Record Period, one of our major customers, namely Customer A, was also our subcontractor. Customer A, a construction company based in Macau which principally engages in providing construction and engineering services in Macau and a subsidiary of a company whose shares are listed on the Main Board of the Stock Exchange with a market capitalisation of over HK\$1.4 billion as at the Latest Practicable Date, was nominated by our customer as our subcontractor for two private sector E&M projects with the subcontracting costs of approximately MOP10.9 million.

To the best of our Directors' knowledge and belief, Customer A, and its ultimate beneficial owner are Independent Third Parties. Our Directors confirm that during the Track Record Period, save for Customer A, none of our top five customers during the Track Record Period were also our supplier and/or subcontractor.

Our Directors confirm that our businesses with Customer A, as our customer in the E&M projects awarded to us through tendering or quotation process, and as our subcontractor nominated by our customer in the abovementioned project, were determined following due process and due consideration, based on genuine business needs, and in the ordinary course of business. All terms and conditions of our transactions with Customer A were negotiated on an arm's length basis and upon normal commercial terms.

Please refer to "Business – Subcontractors – Customer who is also our subcontractor" in this prospectus for details.

QUALITY CONTROL AND MANAGEMENT

We place considerable emphasis in maintaining the quality control of our works. We have implemented a set of quality management plan to ensure the quality of our works. We assign a team of experienced management and technical staff to supervise and manage the E&M engineering services works throughout the process. We have an inspection and test plan in place in order to maintain a stringent control in the quality of our works.

OCCUPATIONAL HEALTH AND SAFETY

Our workers' health and safety are of paramount importance. We have put in place measures to ensure our compliance with all legal and regulatory requirements as promulgated by the Macau government in this regard. We have promoted to our staff the importance of work safety so as to ensure avoiding any potential health issues or workplace accidents.

SUMMARY

ENVIRONMENTAL MATTERS

As a main contractor, we are required to follow and comply with certain environmental measures adopted by the project manager hired by the project owner. As a subcontractor, we are required to follow and comply with certain environmental measures adopted by the main contractor. These environmental measures generally cover (i) air quality; and (ii) noise. Please refer to the “Business – Environmental matters” in this prospectus for further details.

SUMMARY OF MATERIAL RISK FACTORS

We believe that there are certain risks involved in our operations. Many of these risks are beyond our control and can be categorised into: (i) risks relating to our business; (ii) risks relating to conducting business in Macau; (iii) risks relating to the Global Offering and our Shares; and (iv) risks relating to this prospectus. The most significant risks are summarised as follows:

- Our revenue relies on successful awards of projects which are non-recurring in nature, and failure to secure new projects may have material and adverse impact on our operations and financial performance;
- Our Business operations may be adversely affect by the outbreak of COVID-19;
- A possible downturn in the Macau gaming industry and casino-related businesses may significantly impact our operation results;
- Our performance is susceptible to any downturn of Macau’s general economic conditions;
- Any material mismatch of our actual time and costs with the estimates may have material and adverse impact on our results of operations and financial conditions; and
- We derived a significant portion of our revenue from our major customers (in particular Customer D) and we are exposed to the risk of concentration of our major customers (in particular Customer D) during and subsequent to the Track Record Period.

MARKET AND COMPETITION

The E&M engineering services market in Macau is fragmented, consisting of services providers of various scale, from local Macau, overseas, or Hong Kong. According to the Industry Report, there were more than 200 players in the Macau E&M engineering services market in 2019. Please refer to “Industry overview – Competitive landscape of Macau E&M engineering services market” in this prospectus for further details.

SUMMARY

KEY OPERATIONAL AND FINANCIAL INFORMATION

Selected information from consolidated statements of profit or loss and other comprehensive income

	Year ended 31 December			Two months ended 28/29 February	
	2017	2018	2019	2019	2020
	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
	(unaudited)				
Revenue	160,752	218,254	237,680	44,967	48,513
Gross profit	43,305	50,078	53,097	11,246	11,901
Profit before tax	34,478	32,395	45,994	9,506	9,251
Profit and total comprehensive income for the year/period	29,850	27,430	40,538	8,429	8,099

Our profit for the year decreased from approximately MOP29.9 million in 2017 to approximately MOP27.4 million in 2018, which was primarily attributable to the increase in our listing expenses from approximately MOP4.6 million in 2017 to approximately MOP9.6 million in 2018.

Revenue

The following table sets forth a breakdown of our revenue by business streams for the periods indicated:

	Year ended 31 December						Two months ended 28/29 February			
	2017		2018		2019		2019		2020	
	MOP'000	%	MOP'000	%	MOP'000	%	MOP'000	%	MOP'000	%
	(unaudited)									
E&M engineering services works	159,178	99.0	216,160	99.0	232,755	97.9	44,542	99.1	48,057	99.1
– LV systems works	46,830	29.1	80,194	36.7	91,492	38.5	11,992	26.7	35,121	72.4
– HVAC systems works	88,286	54.9	95,171	43.6	92,091	38.7	26,736	59.5	4,371	9.0
– ELV systems works	24,062	15.0	40,795	18.7	49,172	20.7	5,814	12.9	8,565	17.7
Maintenance and repair services	1,574	1.0	2,094	1.0	4,925	2.1	425	0.9	456	0.9
Total	160,752	100.0	218,254	100.0	237,680	100.0	44,967	100.0	48,513	100.0

SUMMARY

Our revenue increased from approximately MOP160.8 million in 2017 to approximately MOP218.3 million in 2018, which was primarily attributable to (i) the commencement of Project 5 in 2018; and (ii) the substantial work progress of two larger-scale E&M projects in 2018, namely a LV systems works and HVAC systems works project for an integrated urban casino resort located in Cotai, Macau and a LV systems works project for a commercial premises located at Zona Industrial Transfronteiriça de Zhuhai-Macau which in aggregate contributed contract revenue of approximately MOP65.3 million in 2018, partially offset by the decrease in our contract revenue from our largest E&M project, Project 1, from approximately MOP74.2 million in 2017 to approximately MOP55.6 million in 2018.

Our revenue increased to approximately MOP237.7 million in 2019, which was primarily attributable to (i) the commencement of Project 4 in 2019, which contributed contract revenue of approximately MOP20.8 million in 2019; (ii) the increase in our contract revenue from Project 5 from approximately MOP18.8 million in 2018 to approximately MOP29.7 million in 2019; (iii) the substantial work progress of Project 3 in 2019 which contributed contract revenue of approximately MOP3.3 million and MOP52.5 million in 2018 and 2019, respectively; and (iv) the commencement of an ELV systems works project for an office building of the judicial authority in Macau in 2019 which contributed contract revenue of approximately MOP12.3 million in 2019, partially offset by the completion of three larger-scale E&M projects in 2018, namely Project 1, a LV systems works and HVAC systems works project for an integrated urban casino resort located in Cotai, Macau and a LV systems works project for a commercial premises located at Zona Industrial Transfronteiriça de Zhuhai-Macau in 2019 which in aggregate contributed contract revenue of approximately MOP102.1 million and MOP15.4 million in 2018 and 2019, respectively.

Our revenue increased from approximately MOP45.0 million for the two months ended 28 February 2019 to approximately MOP48.5 million for the two months ended 29 February 2020, which was primarily attributable to (i) the substantial work progress of Project 4 for the two months ended 29 February 2020 which contributed contract revenue of approximately MOP14.4 million for the two months ended 29 February 2020; and (ii) the commencement of Project 2 in 2020 which contributed contract revenue of approximately MOP18.8 million for the two months ended 29 February 2020, partially offset by the substantial completion of Project 1, Project 5 and a large-scale HVAC systems works project for the new headquarters of a special police unit in Coloane in 2019 which in aggregate contributed contract revenue of approximately MOP28.2 million for the two months ended 28 February 2019.

SUMMARY

The following table sets forth a summary of our revenue attributable to projects from private and public sectors for the periods indicated:

	Year ended 31 December						Two months ended 28/29 February			
	2017		2018		2019		2019		2020	
	MOP'000	%	MOP'000	%	MOP'000	%	MOP'000	%	MOP'000	%
							<i>(unaudited)</i>			
Private sector	118,649	73.8	174,566	80.0	140,373	59.1	32,352	71.9	42,435	87.5
Public sector	42,103	26.2	43,688	20.0	97,307	40.9	12,615	28.1	6,078	12.5
Total	<u>160,752</u>	<u>100.0</u>	<u>218,254</u>	<u>100.0</u>	<u>237,680</u>	<u>100.0</u>	<u>44,967</u>	<u>100.0</u>	<u>48,513</u>	<u>100.0</u>

The increase in the revenue derived from our public sector projects from approximately MOP42.1 million and MOP43.7 million in 2017 and 2018, respectively, to approximately MOP97.3 million in 2019 was primarily attributable to the substantial work progress of Project 3 in 2019 contributing contract revenue of approximately MOP52.5 million in 2019. The decrease in the revenue generated from our public sector projects from approximately MOP12.6 million for the two months ended 28 February 2019 to approximately MOP6.1 million for the two months ended 29 February 2020 was primarily attributable to the completion of a large-scale HVAC systems works project for the new headquarters of a special police unit in Coloane in 2019 contributing contract revenue of approximately MOP6.2 million for the two months ended 28 February 2019.

The increase in the revenue derived from our private sector projects from approximately MOP118.6 million in 2017 to approximately MOP174.6 million in 2018 was primarily attributable to (i) the commencement of Project 5 in 2018; and (ii) the substantial work progress of two larger-scale E&M projects in 2018, namely a LV systems works and HVAC systems works project for an integrated urban casino resort located in Cotai, Macau and a LV systems works project for a commercial premises located at Zona Industrial Transfronteiriça de Zhuhai-Macau in 2018 which in aggregate contributed contract revenue of approximately MOP65.3 million in 2018. The decrease in the revenue from our private sector projects to approximately MOP140.4 million in 2019 was primarily attributable to the completion of our largest E&M projects, Project 1, in 2019 which led to the decrease in our contract revenue from Project 1 from approximately MOP55.6 million in 2018 to approximately MOP14.3 million in 2019. The increase in the revenue generated from our private sector projects from approximately MOP32.4 million for the two months ended 28 February 2019 to approximately MOP42.4 million for the two months ended 29 February 2020 was primarily attributable to (i) the substantial work progress of Project 4 for the two months ended 29 February 2020 which contributed contract revenue of approximately MOP14.4 million for the two months ended 29 February 2020; and (ii) the commencement of Project 2 in 2020 which contributed contract revenue of approximately MOP18.8 million for the two months ended 29 February 2020, partially offset by the substantial completion of Project 1 and Project 5 in 2019 which in aggregate contributed contract revenue of approximately MOP21.9 million for the two months ended 28 February 2019.

SUMMARY

The following table sets forth a breakdown of our revenue by acting as a main contractor and subcontractor for the periods indicated:

	Year ended 31 December						Two months ended 28/29 February			
	2017		2018		2019		2019		2020	
	MOP'000	%	MOP'000	%	MOP'000	%	MOP'000	%	MOP'000	%
	(unaudited)									
Subcontractor	152,672	95.0	129,669	59.4	155,646	65.5	42,446	94.4	6,078	12.5
Main contractor	8,080	5.0	88,585	40.6	82,034	34.5	2,521	5.6	42,435	87.5
Total	<u>160,752</u>	<u>100.0</u>	<u>218,254</u>	<u>100.0</u>	<u>237,680</u>	<u>100.0</u>	<u>44,967</u>	<u>100.0</u>	<u>48,513</u>	<u>100.0</u>

During the Track Record Period, the increase in our revenue generated by acting as a main contractor was primarily attributable to our undertaking of more larger-scale E&M projects by acting as a main contractor, mainly including (i) the substantial work progress of a LV systems works and HVAC systems works project for an integrated urban casino resort located in Cotai, Macau in 2018 contributing contract revenue of approximately MOP23.4 million in 2018; (ii) the substantial work progress of a commercial premises located at Zona Industrial Transfronteiriça de Zhuhai-Macau in 2018 which contributed contract revenue of approximately MOP23.0 million in 2018; (iii) a LV systems works and HVAC systems works project for a Chinese mythology inspired luxury hotel in Cotai in 2018 which contributed contract revenue of approximately MOP13.0 million in 2018; (iv) the commencement of Project 4 in 2019 which contributed contract revenue of approximately MOP20.8 million and MOP14.4 million in 2019 and for the two months ended 29 February 2020, respectively; and (v) the commencement of Project 2 in 2020 which contributed contract revenue of approximately MOP18.8 million for the two months ended 29 February 2020.

Cost of services

The following table sets forth a summary of our cost of services by cost nature for the periods indicated:

	Year ended 31 December						Two months ended 28/29 February			
	2017		2018		2019		2019		2020	
	MOP'000	%	MOP'000	%	MOP'000	%	MOP'000	%	MOP'000	%
	(unaudited)									
Material costs	20,184	17.2	44,144	26.2	50,778	27.5	7,128	21.1	7,173	19.6
Labour costs	11,905	10.1	16,720	9.9	18,130	9.8	3,433	10.2	2,629	7.2
Subcontracting costs	84,263	71.7	105,889	63.0	114,617	62.1	23,091	68.5	26,702	72.9
Other costs	1,095	1.0	1,423	0.9	1,058	0.6	69	0.2	108	0.3
Total	<u>117,447</u>	<u>100.0</u>	<u>168,176</u>	<u>100.0</u>	<u>184,583</u>	<u>100.0</u>	<u>33,721</u>	<u>100.0</u>	<u>36,612</u>	<u>100.0</u>

SUMMARY

The increase in our cost of services from approximately MOP117.4 million in 2017 to approximately MOP168.2 million in 2018 was primarily attributable to (i) the increase in our material costs mainly due to the increase in our E&M engineering services revenue and the increase in the procurement of materials for our E&M projects as a result of a lower proportion of subcontracting in 2018; (ii) the increase in our subcontracting costs mainly due to the increase in our revenue leading to the increase in the needs for subcontracting for certain large-scale E&M projects, such as a LV systems works and HVAC systems works project for an integrated urban casino resort located in Cotai, Macau and a LV systems works project for a commercial premises located at Zona Industrial Transfronteira de Zhuhai-Macau owing to our insufficient workforce at the relevant contract period; and (iii) the increase in our labour costs mainly due to the increase in our headcount for our workers in response to more projects undertaken by our Group in 2018.

The increase in our cost of services to approximately MOP184.6 million in 2019 was primarily attributable to (i) the increase in our subcontracting costs mainly in line with the increase in our revenue; and (ii) the increase in our material costs mainly due to the increase in the procurement of air-conditioning systems for Project 3 with substantial work progress in 2019.

The increase in our cost of services from approximately MOP33.7 million for the two months ended 28 February 2019 to approximately MOP36.6 million for the two months ended 29 February 2020 was primarily attributable to the increase in our subcontracting costs mainly due to the substantial use of subcontracting for two large-scale E&M projects, namely Project 2 and Project 4.

Gross profit and gross margin

The following table sets forth a breakdown of our gross profit and gross margin by business streams for the periods indicated:

	Year ended 31 December						Two months ended 28/29 February			
	2017		2018		2019		2019		2020	
	<i>Gross profit</i>	<i>Gross margin</i>	<i>Gross profit</i>	<i>Gross margin</i>	<i>Gross profit</i>	<i>Gross margin</i>	<i>Gross margin</i>	<i>Gross margin</i>	<i>Gross margin</i>	<i>Gross margin</i>
	MOP'000	%	MOP'000	%	MOP'000	%	MOP'000	%	MOP'000	%
	<i>(unaudited)</i>									
E&M engineering services works	42,095	26.4	49,567	22.9	51,722	22.2	11,121	25.0	11,718	24.4
– LV systems works	15,563	33.2	22,768	28.4	25,679	28.1	3,449	28.8	9,655	27.5
– HVAC systems works	23,386	26.5	21,505	22.6	19,602	21.3	6,872	25.7	952	21.8
– ELV systems works	3,146	13.1	5,294	13.0	6,441	13.1	800	13.8	1,111	13.0
Maintenance and repair services	1,210	76.9	511	24.4	1,375	27.9	125	29.4	183	40.1
Total/Overall	43,305	26.9	50,078	22.9	53,097	22.3	11,246	25.0	11,901	24.5

SUMMARY

Our overall gross margin decreased from approximately 26.9% in 2017 to approximately 22.9% in 2018, which was primarily attributable to (i) the increase in the gross profit contribution from our ELV systems works with relatively stable gross margin which generally offers a relatively lower gross margin as compared to the gross margins of our LV systems and HVAC systems works; (ii) the decrease in the gross margin of our LV systems works mainly due to the performance of a large-scale LV systems works for a commercial premises located at Zona Industrial Transfronteiriça de Zhuhai-Macau in 2018 with a relatively lower gross margin mainly because of the more competitive contract price offered to the new customer with a view to developing a business relationship with such new customer and diversifying our customer base; and (iii) the decrease in the gross margin of our HVAC systems works mainly due to the significant increase in the level of subcontracting in our HVAC systems works for an integrated urban casino resort located in Cotai, Macau in 2018 owing to the insufficiency and unavailability of our workforce as a result of our business expansion.

Our overall gross margin remained relatively stable at approximately 22.3% in 2019.

Our overall gross margin remained relatively stable at approximately 25.0% and 24.5% for the two months ended 28 February 2019 and 29 February 2020, respectively, which was primarily attributable to the offsetting effect of (i) the decrease in the gross margin of our HVAC systems works mainly due to the fact that a majority of our revenue from HVAC systems works for the two months ended 29 February 2020 was generated from a large-scale public sector HVAC systems works project, namely Project 3, which recorded a relatively lower gross margin mainly due to a higher level of subcontracting owing to the insufficiency and unavailability of our workforce; and (ii) the increase in the proportion of our revenue attributable to our LV systems works which recorded a relatively higher gross margin.

The following table sets forth a breakdown of our gross profit and gross margin attributable to the projects from public and private sectors for the periods indicated:

	Year ended 31 December						Two months ended 28/29 February			
	2017		2018		2019		2019		2020	
	Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin
	MOP'000	%	MOP'000	%	MOP'000	%	MOP'000	%	MOP'000	%
	(unaudited)									
Private sector	34,250	28.9	41,370	23.7	35,505	25.3	8,892	27.5	10,544	24.8
Public sector	9,055	21.5	8,708	19.9	17,592	18.1	2,354	18.7	1,357	22.3
Total/Overall	<u>43,305</u>	26.9	<u>50,078</u>	22.9	<u>53,097</u>	22.3	<u>11,246</u>	25.0	<u>11,901</u>	24.5

SUMMARY

We had a higher gross margin attributable to our private sector projects as compared to the gross margin attributable to our public sector projects during the Track Record Period, which was primarily attributable to the fact that (i) during the Track Record Period, we recorded (a) an increasing proportion of the revenue attributable to our private sector projects; and (b) a decreasing proportion of the revenue attributable to our public sector projects, from our LV systems works which recorded a relatively higher gross margin generally; (ii) we undertook a large-scale public LV systems works project (i.e. the installation works for power distribution system located at Hong Kong – Zhuhai – Macau Link Bridge) in 2017 with relatively a lower gross margin mainly because of the increase in the use of subcontractors owing to the availability of our workforce at the relevant contract period; (iii) there was a decrease in the gross margin from a large-scale integrated E&M project for a community centre of a public housing estate in Seac Pai Van, Macau in 2018 mainly because of the increase in the use of subcontractors in order to meet the tight deadline of the project; and (iv) we recorded an increasing proportion of the revenue attributable to our public sector projects from our ELV systems works in 2019 and for the two months ended 29 February 2020 which recorded a relatively lower gross margin generally.

The following table sets forth a breakdown of our gross profit and gross margin by reference to our role in the projects for the periods indicated:

	Year ended 31 December						Two months ended 28/29 February			
	2017		2018		2019		2019		2020	
	Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin
	MOP'000	%	MOP'000	%	MOP'000	%	MOP'000	%	MOP'000	%
	<i>(unaudited)</i>									
Subcontractor	40,706	26.7	27,189	21.0	36,454	23.4	10,706	25.2	1,279	21.0
Main contractor	2,599	32.2	22,889	25.8	16,643	20.3	540	21.4	10,622	25.0
Total/Overall	<u>43,305</u>	26.9	<u>50,078</u>	22.9	<u>53,097</u>	22.3	<u>11,246</u>	25.0	<u>11,901</u>	24.5

For subcontractor projects, the decrease in our gross margin from approximately 26.7% in 2017 to approximately 21.0% in 2018 was primarily attributable to (i) the decrease in the proportion of the revenue attributable to our subcontractor projects from our LV systems works which recorded a relatively higher gross margin generally; and (ii) the decrease in the gross margin from a large-scale integrated E&M project for a community centre of a public housing estate in Seac Pai Van, Macau in 2018 mainly due to the increase in the use of subcontractors in order to meet the tight deadline of the project. The rebound of the gross margin from our subcontractor projects to approximately 23.4% in 2019 was primarily attributable to (i) the substantial completion of the aforesaid integrated E&M project for a community centre of a public housing estate in Seac Pai Van, Macau in 2018; and (ii) the slight increase in the proportion of the revenue attributable to our subcontractor projects from our LV systems works which recorded a relatively higher gross margin generally. The decrease in the gross margin for

SUMMARY

our subcontractor projects from approximately 25.2% for the two months ended 28 February 2019 to approximately 21.0% for the two months ended 29 February 2020 was primarily attributable to the completion of our largest E&M project, Project 1, in relation to HVAC systems installation works for the world's first free-form exoskeleton skyscraper luxury hotel in 2019 with a relatively higher gross margin mainly due to the specifications and difficulties involved in the project.

For main contractor projects, the decrease in our gross margin of approximately 32.2% in 2017 to approximately 25.8% in 2018 and further to approximately 20.3% in 2019 was primarily attributable to (i) the performance of a large-scale LV systems works project for a commercial premises located at Zona Industrial Transfronteira de Zhuhai-Macau in 2018 and another LV systems works project for the same commercial premises in 2019 (which was an extension of the aforesaid project), both with a relatively lower gross margin mainly because of the more competitive contract price offered to the new customer with a view to developing a business relationship with such new customer and diversifying our customer base; and (ii) the increase in the proportion of the revenue attributable to our main contractor projects from our ELV systems works in 2019 which recorded a relatively lower gross margin generally. The increase in the gross margin for our main contractor projects from approximately 21.4% for the two months ended 28 February 2019 to approximately 25.0% for the two months ended 29 February 2020 was primarily attributable to the substantial work progress of Project 4 for the two months ended 29 February 2020 with a relatively higher gross margin mainly due to higher technique and knowhow involved in the project.

Selected information from consolidated statements of financial position

	As at 31 December			As at 29 February
	2017	2018	2019	2020
	MOP'000	MOP'000	MOP'000	MOP'000
Non-current assets	2,505	2,285	1,990	1,785
Current assets	77,958	111,651	164,483	176,782
Current liabilities	35,127	51,523	63,378	67,459
Non-current liability	873	520	664	578
Net current assets	42,831	60,128	101,105	109,323
Net assets	44,463	61,893	102,431	110,530

SUMMARY

Selected information from consolidated statements of cash flows

	Year ended 31 December			Two months ended 28/29 February	
	2017	2018	2019	2019	2020
	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
				<i>(unaudited)</i>	
Operating cash flows					
before movements in working capital	35,529	33,784	47,485	9,671	9,509
Movements in working capital	(20,284)	(10,809)	(26,546)	18,938	(2,382)
Income tax paid	–	(4,632)	(4,480)	–	–
Net cash from operating activities	15,245	18,343	16,459	28,609	7,127
Net cash (used in)/from investing activities	(2,807)	5,303	(10)	–	–
Net cash used in financing activities	(13,916)	(13,508)	(1,142)	(157)	(265)
Net (decrease)/increase in cash and cash equivalents	(1,478)	10,138	15,307	28,452	6,862
Cash and cash equivalents at beginning of the year/period	10,071	8,593	18,731	18,731	34,038
Cash and cash equivalents at end of the year/period, represented by bank balances and cash	8,593	18,731	34,038	47,183	40,900

Key financial ratios

	Year ended/As at 31 December			Two months ended/As at 29 February
	2017	2018	2019	2020
Gross margin	26.9%	22.9%	22.3%	24.5%
Net profit margin	18.6%	12.6%	17.1%	16.7%
Return on equity	67.1%	44.3%	39.6%	44.0%
Return on total assets	37.1%	24.1%	24.4%	27.2%
Current ratio	2.2 times	2.2 times	2.6 times	2.6 times

SUMMARY

Our net profit margin decreased from approximately 18.6% in 2017 to approximately 12.6%, in 2018, which was primarily attributable to (i) the decrease in our gross margin from approximately 26.9% in 2017 to approximately 22.9% in 2018, as discussed in “Key operational and financial information – Gross profit and gross margin” in this section above; and (ii) the increase in our listing expenses from approximately MOP4.6 million in 2017 to approximately MOP9.6 million in 2018.

Our net profit margin increased to approximately 17.1% and 16.7% in 2019 and for the two months ended 29 February 2020, respectively, which was primarily attributable to the decrease in our listing expenses to nil and approximately MOP0.9 million in 2019 and for the two months ended 29 February 2020, respectively.

Our return on equity decreased from approximately 67.1% in 2017 to approximately 44.3% in 2018, which was primarily attributable to (i) the decrease in our net profit from approximately MOP29.9 million in 2017 to approximately MOP27.4 million in 2018; and (ii) the increase in our total equity from approximately MOP44.5 million as at 31 December 2017 to approximately MOP61.9 million as at 31 December 2018 mainly due to our net profit of approximately MOP27.4 million in 2018, partially offset by the payment of dividend of approximately MOP10.0 million in 2018.

Our return on total assets decreased from approximately 37.1% in 2017 to approximately 24.1% in 2018, which was primarily attributable to (i) the decrease in our net profit from approximately MOP29.9 million in 2017 to approximately MOP27.4 million in 2018; and (ii) the increase in our total assets from approximately MOP80.5 million as at 31 December 2017 to approximately MOP113.9 million as at 31 December 2018 mainly due to the increase in our contract assets from approximately MOP7.4 million as at 31 December 2017 to approximately MOP24.7 million as at 31 December 2018.

Our current ratio increased from approximately 2.2 times as at 31 December 2018 to approximately 2.6 times as at 31 December 2019, which was primarily attributable to the increase in our current assets from approximately MOP111.7 million as at 31 December 2018 to approximately MOP164.5 million as at 31 December 2019 mainly due to the increase in our contract assets from approximately MOP24.7 million as at 31 December 2018 to approximately MOP76.9 million as at 31 December 2019.

REASONS AND BENEFITS FOR THE LISTING

Our Directors consider that the Listing will provide the following benefits to our Group, among others:

- (a) the Listing will provide a sustainable fund raising platform for us to raise further capital by issuing equity or debt securities in the future;
- (b) the proceeds from the Global Offering will facilitate the implementation of our business strategies and strengthen our cash flow position to empower us to assume the role of main contractor for more E&M projects and/or undertake more larger scale projects in the future;

SUMMARY

- (c) the Listing will help to elevate the profile of our Group within the construction market in general, which would help to generate more business opportunities. Our Directors believe that the listing status will assist us in bidding for and securing new projects;
- (d) the Listing will render us a better position to negotiate with banks and financial institutions in obtaining credit lines on more favourable terms; and
- (e) the Listing will raise staff morale and confidence in our Group, which would improve our ability to attract, recruit, retain and motivate experienced and qualified staff.

Please refer to “Future plans and use of proceeds – Reasons and benefits for the Listing” in this prospectus for further details.

USE OF PROCEEDS

Assuming an Offer Price of HK\$1.10 per Offer Share (being the mid-point of the indicative Offer Price range), we estimate that the net proceeds receivable by us from the Global Offering (after deducting underwriting fees and commission and estimated expenses in connection with the Global Offering) will be approximately HK\$60.1 million. With a view to strengthening our market position and expanding the scale of our business operations to undertake more main contractor and/or large-scale projects, we intend to apply such net proceeds in the following manner:

- (a) approximately HK\$38.2 million, representing approximately 63.6% of our net proceeds from the Global Offering, will be used for funding part of the specific material costs and the upfront expenditure (excluding performance bonds) of our certain projects on hand and the Specific Tendered Projects that may be secured by us;
- (b) approximately HK\$13.3 million, representing approximately 22.1% of our net proceeds from the Global Offering, will be used for financing the issuance of performance bonds when undertaking new projects;
- (c) approximately HK\$6.6 million, representing approximately 11.0% of our net proceeds from the Global Offering, will be used for expanding our workforce by recruiting additional skilled professionals and labour; and
- (d) approximately HK\$2.0 million, representing approximately 3.3% of our net proceeds from the Global Offering, will be used for acquiring additional construction machineries and equipment.

Please refer to “Future plans and use of proceeds” in this prospectus for further details.

SUMMARY

DIVIDENDS AND DISTRIBUTABLE RESERVE

We declared dividends of approximately MOP12.6 million in 2017, approximately MOP10.0 million in 2018, nil in 2019 and nil for the two months ended 29 February 2020 to the then respective shareholders and all of which were fully paid. After the Track Record Period and up to the Latest Practicable Date, we did not declare and pay any dividend to our Shareholders.

Our Directors have absolute discretion as to whether to declare any dividend for any year end and if any, the amount of dividend and the means of payment, subject to the applicable laws and regulations and the approval by our Shareholders. Currently, we have no prescribed dividend policy and the amount of any dividend to be declared and paid in the future will depend on, among other things, our results of operations, cash flows and financial conditions, operating and capital requirements, statutory and regulatory restrictions on the payment of dividends by us, future prospects and other factors that our Directors may consider relevant.

Our Directors would like to emphasise that our historical dividend distribution record may not be used as a reference or basis to determine the level of dividends that may be declared or paid in the future. We also cannot assure that dividends will be paid in the future or as to the timing of any dividends that may be paid in the future. Our Shareholders will be entitled to receive such dividends pro rata according to the amount paid up or credited as paid up on the Shares. Dividends may be paid only out of our distributable profits as permitted under the relevant laws.

Our reserves available for distribution to Shareholders consist of share premium and retained earnings. Under the Cayman Companies Law and subject to compliance with the Articles, the share premium account may be applied by our Company for paying distributions of dividends to our Shareholders if immediately following the date on which the distribution or dividend is proposed to be paid, we will be able to pay off our debts as they fall due in the ordinary course of business. In the event that our Company receives dividends declared by its subsidiaries, our Company will be able to declare and distribute dividends out of the retained earnings. Our Company did not have any distributable reserve available for distribution to our Shareholders as at 29 February 2020.

SUMMARY

GLOBAL OFFERING STATISTICS

We have prepared the following offer statistics on the basis of the indicative Offer Prices without taking into account the 1% brokerage, 0.0027% SFC transaction levy and 0.005% Stock Exchange trading fee.

	Based on Offer Price of HK\$1.20 per Share	Based on Offer Price of HK\$1.00 per Share
Market capitalisation of our Shares ^(Note 1)	HK\$600.0 million	HK\$500.0 million
Unaudited pro forma adjusted consolidated net tangible assets of our Group per Share ^(Notes 2 and 3)	MOP0.39 (equivalent to approximately HK\$0.38)	MOP0.36 (equivalent to approximately HK\$0.35)

Notes:

- (1) The calculation of our market capitalisation is based on 500,000,000 Shares expected to be in issue immediately upon completion of the Capitalisation Issue and the Global Offering (without taking into account the Shares which may be issued pursuant to the exercise of options granted under the Share Option Scheme).
- (2) The unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of our Group as at 29 February 2020 per Share is calculated based on 500,000,000 Shares expected to be in issue immediately upon completion of the Capitalisation Issue and the Global Offering (without taking into account the Shares which may be issued pursuant to the exercise of options granted under the Share Option Scheme).
- (3) The unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of our Group per Share in MOP are converted into HK\$ at HK\$1.00 : MOP1.03.

OUR CONTROLLING SHAREHOLDERS AND SELLING SHAREHOLDERS

Immediately upon completion of the Capitalisation Issue and the Global Offering and taking no account of Shares which may be issued upon the exercise of options that may be granted under the Share Option Scheme, Macau E&M Group (wholly-owned by Mr. Cheong) and Macau E&M Assets (wholly-owned by Mr. Leong) will hold approximately 39.7% and 10.3% of the number of Shares in issue, respectively. As Mr. Cheong and Mr. Leong have confirmed in writing that they, as parties acting in concert, have held their interests in, and collectively exercised their control over, the companies comprising our Group through their respective interests in those companies from time to time since they have become the shareholders of the respective companies comprising our Group, each of Mr. Cheong, Macau E&M Group, Mr. Leong and Macau E&M Assets will be regarded as part of the group of our Controlling Shareholders within the meaning of the Listing Rules upon Listing. Please refer to “Relationship with Controlling Shareholders” in this prospectus for further details.

SUMMARY

The Global Offering initially consists of 125,000,000 Shares, of which 21,900,000 Shares are being sold by One Wesco and Bridge Capital, the Selling Shareholders under the International Placing. We estimate that the net proceeds to the Selling Shareholders from the Sale Shares (after deduction of proportional underwriting fees and estimated expenses payable by our Selling Shareholders in relation to the Global Offering, and assuming an Offer Price of HK\$1.10 per Offer Share, being the mid-point of the indicative Offer Price range) will be approximately HK\$19.9 million. Our Company will not receive any of the proceeds from the sale of the Sale Shares. Please refer to “Statutory and general information – D. Other information – 12. Particulars of the Selling Shareholders” in Appendix IV to this prospectus for further details of the Selling Shareholders.

PRE-IPO INVESTMENTS

One Wesco and Bridge Capital, our Selling Shareholders who will sell the Sale Shares under the International Placing, are also our Pre-IPO Investors. On 1 March 2018, Macau E&M Assets entered into a sale and purchase agreement with each of Bridge Capital and One Wesco, pursuant to which Macau E&M Assets agreed to sell (a) 140 Shares to Bridge Capital at a consideration of HK\$3,780,000; and (b) 230 Shares to One Wesco at a consideration of HK\$6,210,000, respectively.

Bridge Capital is an investment holding company, which is wholly-owned by Mr. Tsang, an Independent Third Party. As at the Latest Practicable Date, Mr. Tsang was a director and chief advisor of Black Spade Capital Limited, a private investment company which is wholly-owned by the chairman, chief executive officer, executive director and controlling shareholder (“**Mr. D**”) of the ultimate holding company (“**Holding Company D**”) of Customer D, one of our top five customers during the Track Record Period. One Wesco is an investment holding company, which is wholly-owned by Mr. Tam, an Independent Third Party before the Pre-IPO Investments, and will be a substantial shareholder of our Company upon the Listing. As at the Latest Practicable Date, Mr. Tam was a director and the chief executive officer of Black Spade Capital Limited. As confirmed by each of Mr. Tsang and Mr. Tam, his investment in our Company is of private and personal nature funded by his own personal funds and his investment was irrelevant to his role in Black Spade Capital Limited or other past and/or present relationship with Mr. D, Customer D or Holding Company D. In addition, as confirmed by Mr. Tam and Mr. Tsang, they had in the past served as members of the senior management of Holding Company D. Our Directors are of the view that their relationship with Customer D, Holding Company D and Mr. D have had no bearing on the commercial dealings between our Group and Customer D. Please refer to “History, Reorganisation and corporate structure – Pre-IPO Investments” in this prospectus for further details.

LISTING EXPENSES

The total estimated listing expenses in connection with the Global Offering are approximately HK\$57.5 million, representing approximately 41.8% of the gross proceeds from the Global Offering (based on the mid-point of the Offer Price of HK\$1.10 per Offer Share), of which: (i) approximately HK\$4.5 million, HK\$9.3 million, HK\$0.9 million and HK\$12.7

SUMMARY

million were charged/are expected to be charged to our profit or loss in 2017 and 2018, for the two months ended 29 February 2020 and the 10 months ending 31 December 2020, respectively; (ii) approximately HK\$25.9 million is expected to be accounted for as a deduction from equity upon the Listing; and (iii) approximately HK\$4.2 million will be borne by the Selling Shareholders.

Our Directors would like to emphasise that the amount of our listing expenses is a current estimate for reference only and the final amount to be recognised in our financial statements is subject to adjustment based on audit and the then changes in variables and assumptions.

RECENT DEVELOPMENT AND MATERIAL ADVERSE CHANGE

Subsequent to the Track Record Period and up to the date of this prospectus, we have continued to focus on the provision of E&M engineering services works in Macau and our business model, revenue and cost structure have remained unchanged. Based on our unaudited management accounts for the six months ended 30 June 2020, we recorded an increase in our revenue and gross profit for the six months ended 30 June 2020 by approximately 30.9% and 35.4%, respectively, as compared to that for the corresponding period in 2019.

As at 30 June 2020, we had 63 projects on hand and the amount of revenue expected to be recognised from these projects will be approximately MOP289.5 million, MOP83.4 million and MOP15.9 million for the 10 months ending 31 December 2020, the year ending 31 December 2021 and the year ending 31 December 2022, respectively. In particular, subsequent to the Track Record Period and up to 30 June 2020, we have been awarded with an ELV systems works project for a cinematic-themed hotel and casino resort located in Cotai, Macau with a contract value of approximately MOP136.9 million, pending the finalisation of contractual documents.

In addition, we had 42 Tendered Projects with an estimated aggregate contract value of approximately MOP380.5 million, of which three are Specific Tendered Projects with an estimated aggregate contract value of approximately MOP28.7 million which our Directors believe our Group has a fairly good chance in obtaining.

Further, an outbreak of respiratory illness caused by COVID-19, a novel coronavirus, first emerged in late 2019 and continues to expand globally. The new strain of coronavirus is considered highly contagious and may pose a serious public health threat. The WHO is closely monitoring and evaluating the situation. On 30 January 2020, the WHO declared the outbreak of COVID-19 a Public Health Emergency of International Concern (PHEIC). Subsequently, on 11 March 2020, the WHO further categorised COVID-19 as a pandemic. As at the Latest Practicable Date, COVID-19 had spread to over 210 countries, areas and territories globally according to the WHO with the death toll and the number of infected cases continuing to rise. Since the outbreak of COVID-19, draconian measures including extended travel restrictions had been imposed within the PRC and Macau, as well as other countries and territories, in an effort to contain the outbreak. Shortly after the first COVID-19 case was confirmed in Macau on 22 January 2020, the Macau government imposed various precautionary measures including

SUMMARY

a mandatory 15-day shutdown of casinos, mandatory quarantine requirements and other restrictive border controls to combat the spread of COVID-19 within the territories. As at the Latest Practicable Date, there had been 46 confirmed cases of COVID-19 in Macau.

The economy of Macau has been adversely affected by the outbreak of COVID-19 in the first half of 2020. Please refer to “Industry overview – Overview of Macau macroeconomic environment” in this prospectus for further details. The information contained in “Industry overview” in this prospectus has been prepared by Frost & Sullivan taking into account the foreseeable impact resulted from the COVID-19 outbreak. The slowdown of the Macau economy may have certain impacts on the Macau E&M engineering services market and our business operations and financial conditions may be adversely affected. However, according to the Industry Report, the outbreak of COVID-19 is expected to bring limited impacts to the Macau economy in the long run due to the fact that the effect of the COVID-19 pandemic has gradually subsided in Macau and the number of tourist visits in Macau are expected to improve significantly, following the gradual relaxation of the travel restrictions imposed in Macau.

Our Directors considered that our Group’s operations had not been materially affected by the outbreak of COVID-19 as at the Latest Practicable Date. Except three of our E&M projects which had been temporarily suspended for a period of approximately one to two weeks due to voluntary project suspension of our customers, we did not experience any material delay to our project schedules for our E&M projects as at the Latest Practicable Date. Our Directors confirm that all of these E&M projects had resumed and our customers had not requested for any reduction or cancellation of our contracted works under such projects as at the Latest Practicable Date. Moreover, our subcontractors are principally based in Macau and we generally source our supplies and materials from our suppliers which are principally based in Hong Kong or Macau. As at the Latest Practicable Date, to the best of our Director’s knowledge, we were not aware of any material disruption to the provision of services by our subcontractors or the supply of raw materials from our suppliers. In addition, to the best of our Directors’ knowledge, none of our employees, including our foreign workers, had difficulties to report duty due to travel restrictions or mandatory quarantine requirements in Macau and none had been infected with COVID-19 as at the Latest Practicable Date.

In view of the above, our Directors are of the view that no material adverse effect on our Group’s business operations and financial performance is expected to result from the COVID-19 outbreak. In the unlikely event that we are to reduce or suspend part of our business operations for a prolonged period of time, whether due to government policy or any other reasons beyond our control, as a result of the COVID-19 outbreak, we estimate that our existing financial resources (including our bank balances and cash) as at 29 February 2020 could satisfy our necessary costs for not less than eight months. Our key assumptions of the worst case scenario where our business is forced to be suspended due to the impact of COVID-19 include: (i) we will not generate any revenue due to the suspension of business; (ii) our trade receivables as at 29 February 2020 will be settled within the range of our average trade receivables turnover days during the Track Record Period; (iii) we will be required to fully settle all of our current liabilities as at 29 February 2020, excluding other creditors and accrued charges; (iv) all of our staff, including operational and administrative staff, are

SUMMARY

encouraged to take unpaid leave under mutual consent or dismissed upon proper notice in accordance with the employment contract and no significant compensation is incurred; (v) we may incur one-month staff cost to dismiss our staff assuming no mutual consent to take unpaid leave is obtained from them; (vi) the rental payments and other miscellaneous charges would be paid in connection with our leased premises for temporary accommodation for our certain foreign workers; (vii) minimal operating and administrative expenses will be incurred to maintain our operations at a minimum level (including basic maintenance cost and utilities expenses); (viii) there will be no further internal or external financing from our Shareholders or financial institutions; and (ix) no further dividend will be declared and paid under such situation. The abovementioned extreme situation may or may not occur and is for illustrative purpose only. Our Directors currently assess that the likelihood of such situation is remote.

In response to the outbreak of COVID-19, our Group has put in place a contingency plan and adopted enhanced hygiene and precautionary measures to safeguard the occupational health and safety of our employees. We estimate that the costs for implementing our enhanced hygiene measures, after taking into account the medical and cleaning supplies distributed by the Macau government, to be approximately MOP0.1 million for the year ending 31 December 2020. We further estimate that the aggregate rental expenses in respect of the temporary accommodation to be approximately not more than MOP0.2 million for the year ending 31 December 2020. Our Directors confirm that the additional costs associated with the enhanced hygiene measures and the provision of temporary accommodation would have no significant impact on our Group's financial position and financial performance for the year ending 31 December 2020. Please refer to "Business – Effects of the COVID-19 outbreak – Our contingency plan and response towards the COVID-19 outbreak" in this prospectus for details.

Our Directors considered that there has not been material adverse impact on our Group's revenue and gross profit for the six months ended 30 June 2020 as a result of the COVID-19 outbreak. Our Directors will continue to assess the impact of the COVID-19 outbreak on our Group's business operations and financial performance and closely monitor our Group's exposure to the risks and uncertainties in this connection. Save for the impact of the outbreak of COVID-19 as discussed above, our Directors confirm that since 1 March 2020 and up to the date of this prospectus, there has been no material adverse change in (i) our business operations and business environment in which we are operating; and (ii) our financial or trading position or prospects. Our Directors also confirm that there have been no events since 1 March 2020 which would materially affect the information shown in the Accountants' Report in Appendix I to this prospectus. Nonetheless, we currently expect that our financial results for 2020 will be adversely impacted by our non-recurring listing expenses recognised and to be recognised as expenses in our consolidated statement of profit or loss and other comprehensive income. Please refer to "Financial information – Listing expenses" in this prospectus for further details of our listing expenses.

Potential investors should note that our financial information after the Track Record Period is unaudited and may not reflect the full year results for 2020 and may be subject to adjustments based on the audit.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below. Technical terms in relation to our Group's industry and business operations are explained in "Glossary of technical terms" in this prospectus.

"ACEL"	ACEL Engineering Company Limited (in Portuguese, Sociedade de Engenharia Acel, Limitada, and in Chinese, 進力工程有限公司) a limited liability company incorporated in Macau on 12 October 2006 principally engaged in mechanical, electrical engineering and maintenance works in Macau, and one of our top five customers during the Track Record Period
"Accountants' Report"	the accountants' report prepared by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, addressed to our Company and the Sole Sponsor as set out in Appendix I to this prospectus
"affiliate(s)"	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"Application Form(s)"	the WHITE Application Form(s), YELLOW Application Form(s) and GREEN Application Form(s) or, where the context so requires, any of them, relating to the Hong Kong Public Offering
"Articles of Association" or "Articles"	the amended and restated articles of association of our Company conditionally adopted on 21 August 2020 to take effect upon Listing, a summary of which is set out in Appendix III to this prospectus, and as amended, supplemented or otherwise modified from time to time
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board" or "Board of Directors"	the board of Directors of our Company
"Bridge Capital"	Bridge Capital Limited, an international company incorporated in Samoa with limited liability on 16 June 2011 and wholly-owned by Mr. Tsang, an Independent Third Party, and one of the Selling Shareholders

DEFINITIONS

“business day”	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands
“BVI Companies Act”	the BVI Business Companies Act, as amended, supplemented or otherwise modified from time to time
“CAEU”	Commission of Architecture, Engineering and Urbanism of Macau (in Portuguese, Governo da Região Administrativa Especial de Macau Conselho de Arquitectura, Engenharia e Urbanismo and in Chinese, 澳門特別行政區政府建築、工程及城市規劃專業委員會)
“Capitalisation Issue”	the issue of Shares to be made upon capitalisation of certain sums standing to the credit of the share premium account of our Company as referred to in “A. Further information about our Group – 3. Resolutions in writing of our Shareholders passed on 21 August 2020” in Appendix IV to this prospectus
“Cayman Companies Law” or “Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant(s)”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant(s)”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant(s)”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant(s)”	a CCASS Clearing Participant, or a CCASS Custodian Participant or a CCASS Investor Participant
“close associate(s)”	has the meaning ascribed to it under the Listing Rules

DEFINITIONS

“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Companies (WUMP) Ordinance” or “Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	Macau E&M Holding Limited (濠江機電控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 24 October 2017
“Concert Parties Confirmation”	the concert parties confirmation dated 13 April 2018 entered into among Mr. Cheong and Mr. Leong in respect of the concert parties arrangement, particulars of which are set out in “History, Reorganisation and corporate structure – Concert Parties Confirmation” in this prospectus
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules, and in the context of our Company as at the Latest Practicable Date, include Mr. Cheong, Macau E&M Group, Mr. Leong and Macau E&M Assets
“core connected person(s)”	has the meaning ascribed to it under the Listing Rules
“COVID-19”	a viral respiratory disease caused by the severe acute respiratory syndrome coronavirus 2, which first emerged in late 2019
“Deed of Indemnity”	the deed of indemnity dated 21 August 2020 entered into by the Controlling Shareholder(s) in favour of our Company (for ourselves and as trustee for our subsidiaries), the details of which are set out in “D. Other information – 2. Tax and other indemnities” in Appendix IV to this prospectus
“Deed of Non-Competition”	a deed of non-competition dated 21 August 2020 entered into by our Controlling Shareholders in favour of our Company, particulars of which are set out in “Relationship with Controlling Shareholders – Non-Competition undertakings” in this prospectus

DEFINITIONS

“Director(s)”	the director(s) of our Company
“DSAL”	Labour Affairs Bureau of Macau (in Portuguese, Governo da Região Administrativa Especial de Macau Direcção dos Serviços para os Assuntos Laborais and in Chinese, 澳門特別行政區政府勞工事務局)
“DSSOPT”	Land, Public Works and Transport Bureau of Macau (in Portuguese, Governo da Região Administrativa Especial de Macau Direcção dos Serviços de Solos, Obras Públicas e Transportes and in Chinese, 澳門特別行政區政府土地工務運輸局)
“Eddid Securities”	Eddid Securities and Futures Limited, a licensed corporation under the SFO permitted to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 3 (leveraged foreign exchange trading), type 4 (advising on securities), type 5 (advising on futures contracts) and type 9 (asset management) regulated activities (as defined under the SFO), being one of the Joint Lead Managers of the Global Offering
“extreme conditions”	extreme conditions caused by a super typhoon as announced by the Government of Hong Kong
“Frost & Sullivan”	Frost & Sullivan Limited, an international market research consultant and an Independent Third Party
“Global Offering”	the Hong Kong Public Offering and the International Placing
“ GREEN Application Form(s)”	the application form(s) to be completed by the HK eIPO White Form Service Provider designated by our Company
“Group”, “our Group”, “we” or “us”	our Company and its subsidiaries (or our Company and any one or more of its subsidiaries, as the context may require), or where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time

DEFINITIONS

“ HK eIPO White Form ”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name by submitting the application online through the designated website of HK eIPO White Form at www.hkeipo.hk or in the IPO App
“ HK eIPO White Form Service Provider ”	the HK eIPO White Form service provider designated by our Company, as specified on the designated website at www.hkeipo.hk or in the IPO App
“HK\$”, “HKD” or “HK dollar(s)”	Hong Kong dollar, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited
“Hong Kong Offer Shares”	the 12,500,000 new Shares being initially offered by our Company at the Offer Price pursuant to the Hong Kong Public Offering, subject to reallocation as described in “Structure of the Global Offering” in this prospectus
“Hong Kong Public Offering”	the offer of the Hong Kong Offer Shares by our Company for subscription to members of the public in Hong Kong at the Offer Price, on and subject to the terms and conditions set out in this prospectus and the Application Forms, as further described in “Structure of the Global Offering – Hong Kong Public Offering” in this prospectus
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering as set out in “Underwriting – Hong Kong Underwriters” in this prospectus

DEFINITIONS

“Hong Kong Underwriting Agreement”	the Hong Kong underwriting agreement dated 28 August 2020 relating to the Hong Kong Public Offering and entered into by, among others, our Company, our executive Directors, our Controlling Shareholders, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Joint Lead Managers and the Hong Kong Underwriters
“IFRS”	International Financial Reporting Standards, which include standards and interpretations promulgated by the International Accounting Standards Board, as amended from time to time
“Independent Third Party(ies)”	individual(s) or a company(ies) who is (or are) not a connected person (within the meaning of the Listing Rules) of our Company, any of its subsidiaries or any of their respective associates
“IPO App”	the mobile application for HK eIPO White Form service which can be downloaded by searching “ IPO App ” in App store or Google Play or downloaded at www.hkeipo.hk/IPOApp or www.tricorglobal.com/IPOApp
“Industry Report”	the market research report provided by Frost & Sullivan, which was commissioned by our Group in relation to, among other things, the overview of the industries in which our Group operates or intends to operate
“Innovax Capital” or “Sole Sponsor”	Innovax Capital Limited, a licensed corporation under the SFO permitted to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities (as defined under the SFO), being the Sole Sponsor of the Global Offering
“Innovax Securities”	Innovax Securities Limited, a licensed corporation under the SFO permitted to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities (as defined under the SFO), being the Sole Global Coordinator, the Sole Bookrunner and one of the Joint Lead Managers of the Global Offering

DEFINITIONS

“International Placing”	the conditional placing of the International Placing Shares by the International Underwriters for and on behalf of our Company and the Selling Shareholders to professional, institutional and other investors at the Offer Price on and subject to the terms and conditions under the International Underwriting Agreement, as further described in “Structure of the Global Offering – International Placing” in this prospectus
“International Placing Shares”	the 112,500,000 Shares which comprise 90,600,000 new Shares initially being offered by our Company for subscription and 21,900,000 Sale Shares being offered by the Selling Shareholders for purchase under the International Placing, subject to reallocation as described in “Structure of the Global Offering” in this prospectus
“International Underwriters”	the group of underwriters for the International Placing who are expected to enter into the International Underwriting Agreement
“International Underwriting Agreement”	the international placing underwriting agreement relating to the International Placing to be entered into on or about the Price Determination Date by, among others, our Company, our executive Directors, our Controlling Shareholders, the Selling Shareholders, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Joint Lead Managers and the International Underwriters
“Joint Lead Managers”	Innovax Securities, Eddid Securities, Marketsense Securities and TD King Securities
“Kento Engineering”	Kento Engineering Co. Ltd. (in Portuguese, Companhia de Engenharia Kento Limitada, and in Chinese, 建滔工程有限公司), a limited liability company incorporated in Macau on 27 January 2011 and our indirect wholly-owned subsidiary
“Latest Practicable Date”	22 August 2020, being the latest practicable date for the purpose of ascertaining certain information in this prospectus prior to its publication
“Listing”	the commencement of trading of our Shares on the Main Board of the Stock Exchange

DEFINITIONS

“Listing Committee”	the listing committee of the Stock Exchange
“Listing Date”	the date expected to be on or about Friday, 11 September 2020, on which our Shares are first listed and from which dealings in our Shares are permitted to take place on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Macau”	the Macau Special Administrative Region of the PRC
“Macau E&M Assets”	Macau E&M Assets Limited (濠江機電資產有限公司), a limited liability company incorporated in the BVI on 19 October 2017 and one of our Controlling Shareholders, being wholly owned by Mr. Leong
“Macau E&M Company”	Macau E&M Company Limited (濠江機電有限公司), a limited liability company incorporated in the BVI on 30 October 2017 and our direct wholly-owned subsidiary
“Macau E&M Group”	Macau E&M Group Limited (濠江機電集團有限公司), a limited liability company incorporated in the BVI on 19 October 2017 and one of our Controlling Shareholders, being wholly owned by Mr. Cheong
“Macau Legal Advisers”	FCLaw Lawyers & Private Notaries, our legal advisers as to Macau law
“Main Board”	the Main Board of the Stock Exchange
“Marketsense Securities”	Marketsense Securities Limited, a licensed corporation under the SFO permitted to carry out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities (as defined under the SFO), being one of the Joint Lead Managers of the Global Offering
“Memorandum” or “Memorandum of Association”	the amended and restated memorandum of association of our Company adopted on 21 August 2020 with immediate effect, a summary of which is set out in Appendix III to this prospectus and as amended from time to time
“MOP” or “Macanese pataca(s)”	Macanese pataca(s), the lawful currency of Macau

DEFINITIONS

“Mr. Cheong”	Mr. Cheong Ka Wo, our co-founder, executive Director and chief executive officer, and one of our Controlling Shareholders
“Mr. Leong”	Mr. Leong Kam Leng, our co-founder, executive Director and one of our Controlling Shareholders
“Mr. Tam”	Mr. Tam Chi Wai, the sole shareholder of One Wesco
“Mr. Tsang”	Mr. Tsang Yuen Wai, Samuel, the sole shareholder of Bridge Capital
“Offer Price”	the final price per Offer Share (exclusive of brokerage of 1%, Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.0027%), which will be not more than HK\$1.20 per Offer Share and is expected to be not less than HK\$1.00 per Offer Share, such price to be fixed on or before the Price Determination Date
“Offer Share(s)”	the Hong Kong Offer Shares and the International Placing Shares
“One Wesco”	One Wesco Inc., a company incorporated in the BVI with limited liability on 11 May 2017 and a substantial shareholder of our Company upon Listing, being wholly-owned by Mr. Tam, an Independent Third Party before the Pre-IPO Investment, and one of the Selling Shareholders
“PRC” or “China”	the People’s Republic of China which, for the purpose of this prospectus (unless otherwise indicated), excludes Hong Kong, Macau and Taiwan
“Pre-IPO Investments”	the investments in our Company by the Pre-IPO Investors, details of which are set out in “History, Reorganisation and corporate structure – Pre-IPO Investments” in this prospectus
“Pre-IPO Investors”	Bridge Capital and One Wesco
“Price Determination Agreement”	the agreement to be entered into between our Company (for ourselves and on behalf of the Selling Shareholders) and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on the Price Determination Date to determine and record the Offer Price

DEFINITIONS

“Price Determination Date”	the date, expected to be on or around Thursday, 3 September 2020 (Hong Kong time) but no later than Tuesday, 8 September 2020, on which the Offer Price is determined for the purpose of the Global Offering
“Regulation S”	Regulation S under the U.S. Securities Act
“Reorganisation”	the reorganisation of the companies within our Group as set out in “History, Reorganisation and corporate structure” in this prospectus
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	the 21,900,000 existing Shares being offered for sale by the Selling Shareholders at the Offer Price under the International Placing
“Selling Shareholders”	Bridge Capital and One Wesco, the vendors of the Sale Shares
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of our Company
“Share Option Scheme”	the share option scheme approved and conditionally adopted by our Company on 21 August 2020, the principal terms of which are set out in “D. Other information – 1. Share Option Scheme” in Appendix IV to this prospectus
“Shareholder(s)”	holder(s) of the Share(s)
“Sole Global Coordinator” or “Sole Bookrunner”	Innovax Securities

DEFINITIONS

“Specific Tendered Project(s)”	Tendered Project(s) which our Directors believe our Group has a fairly good chance in obtaining based on our Group’s established track record in the E&M engineering services industry in Macau and in the absence of unforeseeable circumstances and to which we intend to apply part of our net proceeds from the Global Offering, details of which are set out in “Future Plans and Use of Proceeds” in this prospectus
“sq.ft.”	square feet
“sq.m.”	square metres
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	The Hong Kong Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
“TD King Securities”	TD King Securities Limited, a licensed corporation under the SFO permitted to carry out type 1 (dealing in securities) and type 2 (dealing in futures contracts) regulated activities (as defined under the SFO), being one of the Joint Lead Managers of the Global Offering
“Tendered Project(s)”	E&M engineering services project(s) that our Group had submitted tender proposals/quotations for and was in the process of tendering/quotation and the tender/quotation results had not been released as at 30 June 2020
“Track Record Period”	the years ended 31 December 2017, 2018 and 2019 and two months ended 29 February 2020, respectively; and the phrase “during the Track Record Period”, followed by a series of figures or percentages, refers to information relating to the years ended 31 December 2017, 2018 and 2019 and the two months ended 29 February 2020, respectively
“Underwriters”	the Hong Kong Underwriters and the International Underwriters

DEFINITIONS

“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“U.S.” or “United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“U.S. Securities Act”	the United States Securities Act of 1933, as amended, supplemented or otherwise modified from time to time
“ WHITE Application Form(s)”	the application form(s) for the Hong Kong Offer Shares for use by the public who require such Hong Kong Offer Shares to be issued in the applicant’s own name
“WHO”	World Health Organization
“ YELLOW Application Form(s)”	the application form(s) for the Hong Kong Offer Shares for use by the public who require such Hong Kong Offer Shares to be deposited directly into CCASS
“%”	per cent

In this prospectus, unless expressly stated or the context requires otherwise:

- *all information and data is as at the Latest Practicable Date;*
- *certain amounts and percentage figures, including but not limited to, shareholdings and operating data, may have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them;*
- *all references to any shareholdings in our Company assume no exercise of any options which may be granted under the Share Option Scheme unless otherwise specified;*
- *English names marked with “*” are unofficial English translations of the Chinese names of, among others, entities, laws or regulations or government authorities, that do not have official English names. Such English translations are for provided for identification purposes only. If there is any inconsistency between the Chinese name and the English translation, the Chinese name shall prevail; and*
- *if there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail.*

GLOSSARY OF TECHNICAL TERMS

This glossary contains explanations of certain terms used in this prospectus in connection with our Group and our business. The terminology contained in this glossary and their given meanings may not correspond to standard industry meaning or usage of these terms.

“CAGR”	compound annual growth rate
“CCTV”	closed-circuit television, used for security video surveillance purposes
“ELV”	extra low voltage
“E&M engineering services works”	electrical and mechanical engineering services works. E&M engineering services works include (i) LV systems works; (ii) HVAC systems works, and (iii) ELV systems works
“GDP”	gross domestic product
“HVAC”	heating, ventilation and air-conditioning
“integrated entertainment resorts”	comprehensive resort facilities which generally comprise hotels and casinos, together with convention facilities, shopping facilities and/or other entertainment facilities
“kVA”	kilo-volt-ampere
“LV”	low voltage
“private sector”	project owner(s) which include, among others, privately-owned hotel and integrated entertainment resort owners or operators and other commercial enterprises
“public sector”	project owner(s) which include, among others, the Macau government or other government agencies
“RPE”	registered professional engineer with DSSOPT in Macau under the Law no. 1/2005 of Macau

GLOSSARY OF TECHNICAL TERMS

“UPS”	uninterruptible power supply, is an electrical device that provides emergency power when the input power source or mains power fails, and provides instant protection from input power interruptions
“warehouse workshop”	a combination of a workshop space for carrying out pre-fabrication and assembly of fixtures and systems works, and a warehouse space for storing equipment, work tools and materials

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties, including the risk factors described in this prospectus. These forward-looking statements include, but are not limited to, statements relating to:

- our operations and business prospects;
- future developments, trends and competition in industries and markets in which we operate;
- our business strategies and plans;
- prospective financial information regarding our business;
- our future financial condition and results of operations;
- future development of our business;
- our capital expenditure plans;
- general economic conditions of Macau; and
- changes to regulatory and operating conditions in the markets in which we operate.

In some cases we use words such as “believe”, “seek”, “intend”, “anticipate”, “estimate”, “project”, “plan”, “potential”, “will”, “may”, “should”, “expect” and other similar expressions to identify forward looking statements. All statements other than statements of historical facts included in this prospectus, including statements regarding our future financial position, strategy, projected costs and plans and objectives of management for future operations, are forward looking statements. Although we believe that the expectations reflected in those forward-looking statements are reasonable, we can give no assurance that those expectations will prove to have been correct, and you are cautioned not to place undue reliance on such statements.

Furthermore, these forward looking statements merely reflect our current view with respect to future events and are not a guarantee of future performance. Our financial condition may differ materially from the information contained in the forward looking statements as a result of a number of factors, including, without limitation, factors disclosed in “Risk factors” in this prospectus and elsewhere in this prospectus.

Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation and do not intend to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. Owing to such risks, uncertainties or assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, such statements are not a guarantee of future performance and you should not place undue reliance on any forward-looking statements. All forward-looking statements contained in this prospectus are qualified by reference to this cautionary statement.

RISK FACTORS

Potential investors should consider carefully all the information set out in this prospectus and, in particular, should consider and evaluate the following risks associated with an investment in our Company before making any investment decision in relation to our Company. You should pay particular attention to the fact that our Company was incorporated in the Cayman Islands and our Group has operations conducted outside Hong Kong and are governed by a legal and regulatory environment which in some respects may differ from that in Hong Kong. Any of the risks and uncertainties described below may have a material adverse effect on our business, results of operations, financial condition or on the trading price of our Shares, and may cause you to lose all or part of your investment.

We believe that there are certain risks and uncertainties in relation to our business and operations, some of which are beyond our control. These risks and uncertainties can be categorised into: (i) risks relating to our business; (ii) risks relating to conducting business in Macau; (iii) risks relating to the Global Offering and our Shares; and (iv) risks relating to this prospectus.

RISKS RELATING TO OUR BUSINESS

Our revenue relies on successful awards of projects which are non-recurring in nature, and failure to secure new projects may have material and adverse impact on our operations and financial performance

As it is customary in the general construction industry, we secure our E&M projects with customers on a project-by-project basis through a competitive tender or quotation process, which are non-recurring in nature. We did not enter into any long-term agreement or master service agreement with our existing customers. After completion of our awarded projects on hand, we have to undergo the tender or quotation process for bidding new projects.

We cannot guarantee that we will continue to secure new projects from our existing customers or will be able to secure business from new customers. It is difficult to forecast the volume of projects we may undertake in the future. The actual volume and scale of the projects and the revenue derived from such projects may fluctuate from period to period, and will have consequential effect on our revenue, growth rate and gross margin. As a result, our revenue, historic growth rate and gross margin during the Track Record Period may not serve as an indication of our future performance.

In the event we are unable to secure new projects from our existing customers or generate business from new customers on a continual basis, or to maintain or increase our success rate on project tendering, our Group's business, results of operations, financial performance, prospects and sustainability may be adversely affected.

RISK FACTORS

Our business operations may be adversely affected by the outbreak of COVID-19

An outbreak of respiratory illness caused by COVID-19, a novel coronavirus, first emerged in late 2019 and continues to expand globally. The new strain of coronavirus is considered highly contagious and may pose a serious public health threat. The WHO is closely monitoring and evaluating the situation. Since the outbreak of COVID-19, draconian measures including extended travel restrictions had been imposed within the PRC and Macau, as well as other countries and territories, in an effort to contain the outbreak. On 30 January 2020, the WHO declared the outbreak of COVID-19 a Public Health Emergency of International Concern (PHEIC). Subsequently, on 11 March 2020, the WHO further categorised COVID-19 as a pandemic. As at the Latest Practicable Date, COVID-19 had spread to over 210 countries, areas and territories globally according to the WHO with the death toll and number of infected cases continuing to rise.

Our Directors consider that our Group's operations had not been materially affected by the outbreak of COVID-19 as at the Latest Practicable Date. However, if any of our employees, including our foreign workers, are affected by the spread of COVID-19 and are unable to duly execute their duties in providing any of our Group's services, our Group's operations and financial conditions may be adversely impacted. Further, in the event that our subcontractors or our suppliers are impacted by the COVID-19 outbreak and are unable to provide services or supply our raw materials to us, any material disruption to our project schedules may affect our Group's ability to meet the demands of our customers and may have material adverse impacts on our Group's business operations and financial performance.

In response to the COVID-19 outbreak emerged in late 2019, the Macau government has imposed various draconian precautionary measures including extensive travel restrictions as well as a mandatory 15-day casino shutdown in Macau in early February 2020. Moreover, the COVID-19 outbreak is likely to have an adverse impact on the livelihood of the people and the economy of Macau. Any economic downturn or slowdown in Macau and/or negative business sentiment could have an indirect potential impact on the E&M engineering services industry and our business operations and financial performance may be adversely affected. We are uncertain as to when the outbreak of COVID-19 will be contained, and we also cannot predict if the impact will be short-lived or long-lasting. If the COVID-19 outbreak is not effectively controlled in a short period of time, our business operations and financial condition may be materially and adversely affected as a result of the changes in the outlook of the E&M engineering services industry, any slowdown in economic growth, negative business sentiment or other factors that we cannot foresee.

A possible downturn in the Macau gaming industry and casino-related businesses may significantly impact our operation results

During the Track Record Period, we experienced substantial growth in our revenue generated from private sector projects for hotels and integrated entertainment resorts in Macau. During the Track Record Period, we generated revenue of approximately MOP113.8 million, MOP150.6 million, MOP131.1 million and MOP42.1 million, respectively, from projects for hotels and integrated entertainment resorts, representing approximately 70.8%, 69.0%, 55.1% and 86.8% of our total revenue, respectively.

RISK FACTORS

If our project owners or customers in the hotels and resorts sector who are casino owners or operators in Macau fail to renew their relevant gaming operation licences, they will not be able to continue with their current gaming businesses, and we may be unable to continue generating business from such customers. We cannot assure you that our hotel and integrated entertainment resort project owners or customers will be able to renew their relevant gaming operation licences or maintain their businesses, and as such continue to engage us in providing them with E&M engineering services works in the future. In the event that the hotels and resorts projects dry up, and that we should fail to explore new businesses or identify new customers or develop business relationship with new customers, our results of operations and financial performance would be materially and adversely affected.

In addition, in response to the COVID-19 outbreak which emerged in late 2019, the Macau government has imposed various draconian precautionary measures including extensive travel restrictions as well as a mandatory 15-day casino shutdown in Macau in early February 2020. The business operations of our hotels and resorts project owners or customers and hence the livelihood of the people in and the economy of Macau may be adversely affected as a result of such measures. Any economic downturn or slowdown and/or negative business sentiment could potentially have an adverse indirect impact on almost all industries, and our business operations and financial condition may as a result be adversely affected.

Our performance is susceptible to any downturn of Macau's general economic conditions

Since the inception of our Group, all of our E&M projects have been situated in Macau. Our revenue during the Track Record Period was derived solely from our business operations in Macau. We will continue to maintain our principal business focus in Macau. The revenue generated from operations in Macau will continue to represent all or a very substantial portion of our total revenue. Hence, any unforeseen circumstances in Macau including but not limited to natural disasters such as typhoons, economic downturn or recession, unfavourable change of government policies and outbreak of epidemics including COVID-19 may materially and adversely impact our financial performance and growth prospects.

In particular, the economy of Macau has been adversely affected by the outbreak of COVID-19 in the first half of 2020. Please refer to "Industry overview – Overview of Macau macroeconomic environment" in this prospectus for further details. The slowdown of the Macau economy may have adverse impacts on the Macau E&M engineering services market and our business operations and financial conditions may be adversely affected.

Any material mismatch of our actual time and costs with the estimates may have material and adverse impact on our results of operations and financial conditions

In line with the industry practice, our E&M projects are generally awarded through a competitive tender or quotation process on a project-by-project basis. Our ability to submit tender proposals or quotations at a competitive price with adequate profit margin and to maintain profitability depends on, among other things, whether we are able to accurately estimate costs to be incurred when determining the price. We generally determine our project

RISK FACTORS

price by adopting a profit margin mark-up basis and taking into account an array of factors, including the customer, the nature or scope of the project, the site location, the manpower required, the requisite materials and equipment, the level of technical complexity, the scale and duration of the E&M project, our available manpower and financial resources, the estimated costs, the budgeted profit margin, the competition which our Group is up against and prevailing market conditions. There is no guarantee that we will be able to estimate with absolute certainty the total actual costs to be incurred during our tender or quotation submissions.

The contracts entered into by our Group during the Track Record Period are primarily fixed-priced contracts and do not generally provide for any price adjustment mechanisms. Save for the variation orders initiated by our customers, unilateral adjustments to the price of the projects on our own are not accepted. We will generally have to absorb any additional costs incurred once the price is fixed. There is no assurance that the actual time and costs incurred would not deviate from our estimation during the actual execution of the project.

The risks of cost overruns lie in various factors which are beyond our control, including unfavourable weather conditions, shortage or price escalation of raw materials, labour shortage, accidents, additional variations (due to changes to the construction plans or requirements requested by our customers), disputes with suppliers, subcontractors, customers and/or other parties in the project, as well as unforeseen changes and developments in project conditions. Such risks generally increase with the duration of the projects and any delay of the projects may also result in additional opportunity costs. Depending on the nature and complexity of a particular project, the duration for the preparation and implementation of our projects during the Track Record Period ranged from six to 12 months. In the event that we are subject to any cost overruns or underestimations, we may experience lower profit margins or even result in losses in our projects, which in turn may materially and adversely affect our financial position, results of operations and prospects.

We derived a significant portion of our revenue from our major customers (in particular Customer D) and we are exposed to the risk of concentration of our major customers (in particular Customer D) during and subsequent to the Track Record Period

A significant portion of our revenue was derived from a limited number of major customers during the Track Record Period. During the Track Record Period, the revenue derived from our top five customers contributed to approximately 93.7%, 93.5%, 87.6% and 97.3% of our total revenue, respectively, and revenue derived from our largest customer contributed to approximately 57.9%, 40.4%, 30.5% and 85.9% of our total revenue, respectively. Please refer to “Business – Customers – Concentration of customers” and “Business – Customers – Sustainability of our business” in this prospectus for further details.

In particular, Customer D, being our fifth largest customer in 2017, our second largest customer in 2018 and our largest customer in 2019 and for the two months ended 29 February 2020, accounted for approximately 4.8%, 29.2%, 30.5% and 85.9% of our total revenue during the Track Record Period, respectively. The significant increase in our revenue generated from Customer D from 2017 to 2019 was primarily attributable to the increase in our number of

RISK FACTORS

projects undertaken for Customer D directly from seven in 2017 to 35 and 34 in 2018 and 2019, respectively, and our performance of certain larger scale E&M projects for Customer D. Please refer to “Business – Customers – Concentration of customers – Business with Customer D during the Track Record Period” in this prospectus for further details. Taking into account our projects on hand as at 30 June 2020, we expect to continue to derive a notable portion of our revenue from Customer D for the year ending 31 December 2020.

During the Track Record Period, we did not enter into any long-term contracts with our major customers (including Customer D). Our projects were awarded to us on a project-by-project basis through a competitive tender/quotation process, and are non-recurring in nature. As such, our major customers (including Customer D) are not obliged to continue to engage us in subsequent projects on terms favourable to us and/or at a level comparable to the past or at all. We may not be able to maintain our current business relationship with our major customers (including Customer D) in the future. There is also no assurance that we will be able to diversify the composition of our customer base or to secure new business projects from new customers. Should there be any deterioration or discontinuation of business relationship with our major customers (in particular Customer D), our financial performance would be materially and adversely affected.

Furthermore, our business, financial condition and results of operations also depend on the financial condition and commercial success of our major customers (in particular Customer D), which are susceptible to, among other things, any downturn in Macau’s general economic conditions, and there is no guarantee that they will remain financially sound in the future. In the event that any of our major customers becomes insolvent or otherwise delays in or defaults on making timely payments to us, we may not be able to recover significant amounts of receivables from them. As such, our cash flow position and financial positions would be materially and adversely impacted.

Any deterioration in the prevailing market conditions of the E&M engineering services industry may adversely affect our performance

The market demand for our E&M engineering services and the number of projects which our Group is able to secure depend on, among other things, the prevailing market conditions of the E&M engineering services industry in Macau. According to Frost & Sullivan, the market size in terms of output value of E&M engineering services works in Macau witnessed a steady growth from approximately MOP9.6 billion in 2014 to approximately MOP12.7 billion in 2019, which was primarily driven by the commencement of key hotel development projects in Macau and the corresponding E&M engineering services required thereunder. We cannot guarantee that the industry growth will be maintained in a sustainable manner in the future. In the event that the market conditions of the Macau E&M engineering services industry deteriorate due to slowdown in the overall Macau economy or otherwise, there may be delay or cancellation of E&M projects and/or decrease in the value and number of E&M projects available in Macau, which may materially and adversely affect our business operations and financial performance.

RISK FACTORS

We experience cash flow mismatch at different stages of the project and failure to receive progress payments and/or retention money on time or in full may have adverse impact on our liquidity and financial conditions

The E&M engineering services industry is capital intensive. In line with the practice of the industry, we generally have to incur a substantial amount of net cash outflows at the initial stages of our projects for the purposes of set-up expenditure, which include payment for rental deposits of machineries and equipment, site set-up costs, material costs, labour costs and insurance costs prior to receiving payments from our customers. As such, cash outflows to pay certain expenditures may not align with cash inflows to receive progress payments at the relevant periods. Should we be simultaneously engaged in a number of projects, with each project being at the early stage at any given time, our cash flow position may be adversely affected.

In general, we usually submit our invoices to our customers based on the progress of the works completed as stipulated in the relevant contract. Our customer will then examine our part of the works completed and pay us after receiving and verifying our invoices. During the Track Record Period, we had not encountered any material delay in progress payment by our customers. However, there is no assurance that our customers will continue to make progress payments to us on time and in full. In the event that our customers fail to make or delay in making progress payments, we may have to recognise such default payments as bad debts. As at 31 December 2017, 2018 and 2019 and 29 February 2020, our net trade receivables were approximately MOP50.5 million, MOP56.1 million, MOP41.0 million and MOP26.9 million, respectively. Our average trade receivables turnover days during the Track Record Period were approximately 69.5 days, 89.2 days, 74.6 days and 42.0 days, respectively. For details, please refer to “Financial information – Discussion of selected balance sheet items – Debtors, deposits and prepayments” in this prospectus. We cannot guarantee that we will be able to collect receivables from our customers in a prompt and timely manner, or that no disputes in relation to the same will arise. As such, we are subject to the credit risks of our customers. In the event that we are unable to recover our trade receivables from our customers within the agreed credit terms or at all, our business operations, cash flow and financial performance will be materially and adversely affected.

In addition, some of our customers will withhold a portion of the contract value as retention money to secure our due performance, which may be up to 10% of the contract value of the E&M projects. The retention money will generally be released to us in full upon expiry of the defect liability period. In the event that our customers are unable to or unwilling to release the retention money in full and on a timely basis or at all, our liquidity and financial conditions may be materially and adversely affected.

Any variation orders may lower our anticipated profits or incur losses on our projects

Our contracts with customers generally contain a variation order clause. In the course of project implementation, our customers may request for addition, modification, reduction or cancellation of contracted works, and therefore the aggregate amount of revenue that we are able to derive from a project may be different from the initial contract sum. During the Track Record Period, our revenue attributable to variation orders amounted to approximately MOP2.2 million, MOP10.9 million, MOP7.6 million and MOP1.6 million, respectively. If any of our customers cancels or reduces the contracted works in a material manner resulting in a significant reduction of the total contract sum of the relevant project, our business and results of operations may be materially and adversely affected.

RISK FACTORS

Variation works are usually carried out before the rate of such works is agreed. Where the variation works are of the same or similar nature to the works stated in the original contracts, they are generally determined and valued in accordance with the agreed fee or rate set out in the original contracts for such work items. However, if the variation works are of different nature to the works stated in the original contracts, our Group and our customers (or their authorised representatives) would have to agree on a new rate at which the variation works are determined. In the event that we fail to reach an agreement with our customers on the new rate, contractual disputes with our customers may arise and the settlement of our payment applications may be delayed pending resolution of the disputes. As such, our financial conditions, liquidity and results of operations may be adversely affected.

Any change in our project mix may materially and adversely affect our financial performance

As an integrated E&M engineering services works contractor, we provide E&M engineering services works in Macau under each or any combination of the following three business streams, namely (i) LV systems works; (ii) HVAC systems works; and (iii) ELV systems works. Depending on the scope, nature, scale and complexity of the works, and the availability of our workers at the time, (i) we generally procure LV systems materials and equipment as required by our customers and carry out the installation of LV systems with our experienced engineers and pool of skilled workers; (ii) we generally engage our subcontractors to procure and install the ELV systems while our workers would be responsible for supportive installation works; and (iii) we generally procure the HVAC equipment in accordance with our customers' required specifications but subcontract substantial HVAC systems installation works to our subcontractors. As such, our revenue, cost of services and gross profit for each project may differ depending on the types of E&M engineering services provided, and our overall revenue, costs of services and gross profit for a financial year will be dictated by the project mix in that period.

If there are any significant changes in our project mix, our overall gross profit and gross profit margin will both be affected by the change in the proportion of the revenue and gross profit attributable to each of our business streams. As a result, our financial condition and results of operations may be materially and adversely affected.

Our profit margins fluctuate on a project-to-project basis and may not indicate our profitability in the future

During the Track Record Period, we recorded revenue of approximately MOP160.8 million, MOP218.3 million, MOP237.7 million and MOP48.5 million, respectively and gross profit of approximately MOP43.3 million, MOP50.1 million, MOP53.1 million and MOP11.9 million, respectively. Our profit margins fluctuate depending on the nature of the E&M projects. The success and the continued growth of our business operations depend on our effective risk management on, among other things, identifying potential E&M projects and potential new customers, conducting cost analysis and risk management, implementing internal control measures, and maintaining our liquidity position while committing adequate resources for market growth, business development and expansion.

RISK FACTORS

Nonetheless, our revenue during the Track Record Period only reflected our past performance and might not serve as an indication of our future profitability. We cannot guarantee that we will be able to maintain our profit margin at levels similar to that achieved during the Track Record Period. There is also no assurance that our systems, controls, procedures, personnel and expertise will be adequate to support our future business development. Failure to manage our systems, controls, procedures, personnel and expertise in response to our business growth or to rectify risks or uncertainties identified therein may have material and adverse impact on our business performance and profitability.

Failure to complete our projects in time or at all may incur liquidated damages or other penalties

Our contracts generally contain completion schedule requirements. However, there are various unforeseeable factors which may result in a delay or disruption in the work progress of projects, including adverse weather conditions, shortage of labour, delays in delivery of materials and services by subcontractors and/or suppliers, accidents and injuries, and disputes with customers and other project parties, which are beyond our control. There is no assurance that we will complete every project in a timely manner.

Our contracts generally include a specific liquidated damages clause, providing for payment of damages for delay or non-completion of works. Such liquidated damages are generally levied at an agreed fixed sum per day for the period during which the works so remain incomplete. During the Track Record Period and up to the Latest Practicable Date, there had been no material claims against our Group for liquidated damages due to any delay in project completion. However, if we fail to complete the project by the agreed completion date due to any defaults on our parts, to the extent that no or insufficient time extension is granted by our customers, we may be liable to compensate our customers for losses or damages arising from the delay (such as the cost arising from hiring additional labour or subcontractors, deploying more equipment and machinery as our customers deem fit to avoid or minimise the delay). Such claims for liquidated damages would diminish our profits and affect our operational cash flow. In addition, any failure to complete a project in time or at all would damage our business reputation and in turn deter us from future project opportunities.

We may be subject to risks associated with defect liability

Our contracts with customers generally include, among others, a term for a defect liability period, during which we are responsible for making good the defective works, if any. The defect liability period usually runs after issuance of the final practical completion certificate for 12 months to 24 months. During the Track Record Period, we had not been subject to any claims for defective works. However, if any significant claims for defect liability in relation to our works arises, we may incur additional, if not substantial, costs in rectifying such defects, and if necessary, in defending against such claims, which may divert management attention and other resources from our operations and adversely affect our profitability and financial performance.

RISK FACTORS

In addition, we may be exposed to claims arising from latent defects, which may be existing but have not been discovered or developed upon completion. Such defects may be caused by us, or our subcontractors or suppliers. However, even where the latent defects are solely caused by defaults on the parts of our subcontractors or suppliers without our faults, there is no guarantee that we will be able to locate the relevant party, to procure the relevant party to rectify the defect, or to hold the relevant party liable for any loss or damages arising from such defects. Where our customers bring significant claims for latent defects against our Group, this would bring negative publicity to our reputation and adverse impact on our operation and financial condition.

Failure to attract and retain key management and technical staff may hinder our business prospects

Our success has been, to a large extent, attributable to the continued commitment of our executive Directors and senior management team with their extensive expertise, knowledge, experience and technical know-how in the E&M engineering services industry. Each of our executive Directors, Mr. Cheong and Mr. Leong, has over 19 years of experience in the E&M engineering services industry. A number of our senior management also have over 14 years of experience in the industry. For details of qualifications of our executive Directors and senior management team, please refer to “Directors and senior management” in this prospectus. We believe that our future business growth and development will depend on our ability to attract, recruit, train and retain our key management and technical personnel. Should any of our executive Directors or members of our senior management team ceases employment with our Group, we may not be able to recruit a competent replacement with comparable knowledge, skills and qualifications in a prompt and timely manner or at all, which may significantly disrupt our operations and adversely affect our financial results and business prospects.

Our Group is reliant on our professional team of engineers for the preparation of tender proposals or quotations submitted to our customers. Since we obtain our contracts for our E&M engineering services works through a tendering or quotation process, the ability of our Group to retain such core professional team members is crucial to our Group’s continual business operation and income generation. Although we have good working relationships among our staff, there is no guarantee that such working relationships will be maintained in the future.

Furthermore, competition in recruitment of qualified E&M engineers in Macau is intense due to the introduction of a new registration regime by the Macau government in January 2015. Under the new regime, in addition to registering with DSSOPT, engineers in Macau are required to participate in a traineeship under the mentorship of a certified instructor of not less than two years and be approved in an admission examination as organised by CAEU in order to become a RPE. For more details of the new regime, please refer to “Regulatory overview” in this prospectus. As at 29 February 2020, only 308 E&M engineers were registered with CAEU and only 149 E&M engineers were registered with DSSOPT as a RPE under the new regime. We cannot guarantee that we will be able to recruit qualified engineers in Macau. Any failure to recruit and retain the necessary personnel in a timely manner could hinder our business and prospects.

RISK FACTORS

We may not be able to secure and maintain a stable supply of skilled labour at affordable wages and may be subject to an increasing labour cost from time to time

In general, the construction industry is labour intensive and the E&M engineering services works sector is not an exception. According to the Industry Report, there has been a constant shortage of local construction workers with appropriate skills in Macau. We rely on foreign workers to carry out part of our E&M projects. As we are primarily engaged as a subcontractor or as a main contractor for our E&M projects, we recruit foreign labour under our own permitted foreign labour quotas and/or utilise other foreign labours assigned by the project owners or the main contractors under permitted quota arrangement. We are therefore subject to foreign labour quota restrictions imposed by DSAL and may experience difficulty in obtaining the necessary permits or renewals for our foreign staff and workers. Accordingly, there is no assurance that we will be able to secure and maintain a stable supply of skilled labour.

During the Track Record Period, we had not encountered any material difficulties in recruiting labour for our projects. However, there is no assurance we will be able to secure and maintain a stable supply of labour at affordable wages. Should we fail to recruit appropriate skilled workers in Macau, our capabilities together with our business may be adversely affected.

In addition, the labour costs associated with E&M engineering services workers have been increasing in recent years. We and our subcontractors may incur higher labour costs when competing with other industry participants for skilled labour and technical staff. Our subcontractors may in turn raise the subcontracting fees charged to us to align with the increasing labour cost. Should there be any insufficient workforce or significant increase in our labour costs, we may not be able to complete our projects on schedule and within budget, and accordingly, our business, financial conditions and results of operations may be materially and adversely affected.

Our plan to expand our workforce by recruiting additional skilled professionals, labour and supporting staff members would increase our staff costs, which may adversely affect our results of operations

During the Track Record Period, our staff costs amounted to approximately MOP14.2 million, MOP21.8 million, MOP22.4 million and MOP3.7 million, or approximately 8.8%, 10.0%, 9.4% and 7.6% of our total revenue, respectively. As we continue to expand our operations and to gradually reduce our subcontracting costs, our Directors intend to increase our workforce by retaining and recruiting additional staff. Please refer to “Future plans and use of proceeds” in this prospectus for further details.

The expansion of our workforce will provide us with the flexibility to take up E&M projects by deploying and utilising our own workforce and reducing the need to subcontract the works. However, the competition for recruiting skilled staff in Macau is intense and may require us to pay higher wages in order to attract the best of talents, resulting in an increase

RISK FACTORS

in our staff and labour costs. In addition, our plan to expand our workforce was formulated in response to the estimated increase in labour demand of our future projects under our projected operations expansion. If our business operations do not expand as anticipated, the increase in staff costs may adversely affect our results of operations. On the other hand, if we are unable to recruit and/or retain sufficient staff to meet our projected needs in the near future, we may need to rely on our subcontractors to perform the necessary works. This will not only increase our subcontracting costs, but may also reduce our ability and capacity to undertake more projects at a given time, all of which will materially and adversely impact our overall profitability.

Our business is vulnerable to the availability of the materials and fluctuations in material costs and may be subject to foreign exchange risks

The materials required for our E&M engineering services works primarily include cables and lighting fittings, distribution boxes and modular cabinets, air diffusers, extractor fans, variable refrigerant volume units and low-voltage UPS systems. During the Track Record Period, our material costs amounted to approximately MOP20.2 million, MOP44.1 million, MOP50.8 million and MOP7.2 million, respectively, accounting for approximately 17.2%, 26.2%, 27.5% and 19.6% of our total cost of services, respectively. The availability and prices of materials used in our E&M projects are affected by a number of external factors that are beyond our control, including relevant government policies, overall demand and supply and general economic conditions locally and globally. There is no assurance that the prices of our material costs will not increase from current levels, or that our cost of services will remain stable or the same. If we are unable to purchase any of our raw materials on terms acceptable to us, or if we are unable to include an adjustment mechanism on price fluctuation of raw materials in our contracts with our customers, our business and financial performance may be materially and adversely affected.

Further, we generally source materials from our suppliers in accordance with the project specifications and requirements. During the Track Record Period, we sourced materials mainly in Macau, Hong Kong and Europe. Since some of our purchases (e.g. cables) are denominated in Euro, our operations may be subject to a certain degree of foreign exchange exposure and any adverse fluctuations in foreign exchange rates against our operations may have material effect on our business performance.

The availability, quality and performance of our subcontractors are beyond our control

Subject to the availability of our manpower resources and for the purpose of efficient project management at the relevant times, we may engage third party subcontractors to perform certain contracted HVAC systems works and ELV systems works under our projects. During the Track Record Period, our total subcontracting costs amounted to approximately MOP84.3 million, MOP105.9 million, MOP114.6 million and MOP26.7 million, respectively, accounting for approximately 71.7%, 63.0%, 62.1% and 72.9% of our total cost of services, respectively. During the Track Record Period, the subcontracting costs paid to our top five subcontractors accounted for approximately 88.3%, 71.0%, 55.7% and 94.0% of our total subcontracting costs, respectively.

RISK FACTORS

As at the Latest Practicable Date, we had not entered into any long-term agreements with our subcontractors. We cannot guarantee that our subcontractors will continue to provide services to our Group at prices acceptable to us or at all in the future. In the event that our subcontractors substantially increase their fees, or that we are unable to find suitable alternative subcontractors with the requisite expertise and knowledge to meet our project requirements, our profitability, financial position and results of operation may be adversely impacted.

Further, we may not be able to ascertain the levels of skill, experience and capability of our subcontractors. We are subject to risks associated with delayed or sub-standard performance or non-performance by our subcontractors. As such, we may encounter defects in the works of our subcontractors or may experience delay in completion of our projects. Accordingly, we may be required to incur significant time and costs to carry out remedial works of the same, which may have adverse effect on our business reputation and performance.

We may be involved in labour disputes, strikes, industrial actions and/or work stoppages

As our business relies on skilled labour to carry out different types of E&M engineering services works, labour disputes, strikes, industrial actions and/or work stoppages may disrupt our project progress. Such may arise as a result of, among others, our workers' demand for increase in wages or benefits or improvement in working conditions. During the Track Record Period, our Group did not encounter any material labour disputes, strikes, industrial actions and/or work stoppages. However, there is no assurance that such labour disputes, strikes, industrial actions and/or work stoppages will not occur in the future. Our business operations and financial conditions may be materially and adversely affected should any of them arise.

We are exposed to inherent operational risks and hazards, which may result in personal injuries or accidents

Given the nature of our E&M engineering services industry, our projects may place our workers and our subcontractors' workers in dangerous workplace environments that involve the use of scaffolds, ladders, lifting appliances and other electrical tools and equipment. We have put in place a work safety management plan which provides for worksite safety measures and procedures for our workers and our subcontractors' workers. For details, please refer to "Business – Occupational health and work safety" in this prospectus. In addition, we are subject to inherent operational hazards including equipment failure, industrial accidents, geological catastrophes, fire and explosions. These hazards can result in material personal injuries, property damages or fatal accidents at our worksites. During the Track Record Period and up to the Latest Practicable Date, we have not recorded material workplace injury or fatalities of our workers or our subcontractors' workers. However, there is no guarantee that the implementation of our work safety management plan can prevent the occurrence of any material personal injuries, property damages or fatal accidents at our worksites in the future. We may have to incur significant costs in the event that such incidents occur at our worksites, even where they may not be due to fault or negligence on our part. Such incidents may also cause damage to our reputation and we may lose future business opportunities due to negative publicity, which may materially affect our business performance, results of operations and financial position to the extent not covered by insurance policies.

RISK FACTORS

Our risk management and internal control measures and policies may not afford us full protection against various inherent risks in our business

We have implemented risk management and internal control measures and policies with respect to our business operations. However, there is no guarantee that our risk management and internal control measures and policies are adequate or effective to fully protect us against the potential risks inherent in our business. In the event that we fail to identify and deal with any potential risks or internal control deficiencies, our business operations and prospects may be materially affected.

Further, the successful implementation of our risk management and internal control measures and policies depends on our employees, our workers and our subcontractors. There is no assurance that our employees, our workers and our subcontractors will strictly observe and adhere to such measures and policies. There is also no guarantee that our employees, our workers and our subcontractors will be able to carry out such measures and policies without human errors or mistakes. In addition, as our business expands, we may have to adopt and modify our risk management and internal control measures and policies in a timely manner in response to our business growth. Failure to do so may result in material and adverse effect on our business and results of operations.

We are exposed to risks relating to legal claims or other proceedings arising from our operations, which may adversely affect our business performance

Since our E&M projects involve various parties, we may be subject to risks relating to disputes, legal claims, litigation or other proceedings in the ordinary course of our business for different subject matters including, among others, quality of works, delay in completion of works or in payment, personal injuries and accidents. We may also be subject to litigation in relation to non-compliance with applicable laws and regulations including those relating to employment, operational health and safety, environmental protection and other aspects under which we operate our business. There is no guarantee that we will be able to resolve the disputes or claims in an expeditious manner with the relevant parties as and when that they arise by way of mediation or other negotiation channels. If we fail to resolve the matters by such means, we may be subject to lengthy and expensive arbitration or litigation proceedings, which may cause us to incur additional, if not significant, costs in defending against such claims and may divert our management's attention and our resources.

In addition, if we are found liable on any litigation claims, we may have to incur substantial legal costs and significant damages, which may not be covered by our insurance policies or insurance policies taken out by our main contractors. In the event that we fail in defending such non-compliance litigation actions, we may be subject to sanctions, including fines, suspension or loss of operational licenses, permits or certificates, or even suspension of business operations. In these circumstances, our business and financial results would be materially affected.

RISK FACTORS

As a result of the claims and proceedings, we may suffer significant damage to our reputation. Such negative publicity may harm our relationship with our existing customers and inhibit our ability to seek new customers or new project opportunities in the future. Further, we may have to incur significant time and costs to carry out remedial measures to rectify any deficiencies. These may have adverse effects on our business performance and financial conditions.

Negative publicity on our reputation may have a potential adverse impact on our business

Our Group does not conduct active marketing or advertising and most of our customers are introduced to us through customer referrals and/or word-of-mouth. Hence, we believe that our business reputation plays a significant role in enabling us to procure projects and to maintain and grow our business operations. Negative comments, reports, claims, complaints or allegations against our Group in relation to our operations, whether meritorious or not, would significantly harm our brand name and goodwill. This may inhibit our ability to secure new projects from customers and to conduct and expand our business, and may therefore have a material and adverse impact on our financial performance and results of operations.

We may not be able to bill and receive the full amount of contract assets

We recognise contract revenue based on the input method whereby progress billings take place when the works performed by us are completed.

Contract assets include retention money (ranges from 5% to 10% of the awarded contract sum) and works performed but not yet certified and billed which arise when progress billings has not yet taken place as at a financial year end date in respect of the works performed by us during that financial year. Our Group recorded contract assets of approximately MOP7.4 million, MOP24.7 million, MOP76.9 million and MOP96.0 million as at 31 December 2017, 2018 and 2019 and 29 February 2020, respectively. Please refer to “Financial Information – Discussion of selected balance sheet items – Contract assets/liabilities” in this prospectus for further details. There is no assurance that we will be able to bill and receive the full amount of contract assets as we may not be able to reach an agreement with the customers on the value of our works done. If we are not able to do so, our results of operation, liquidity and financial position may be adversely affected.

Our insurance policies may not fully cover all potential losses associated with our business operations

We have maintained applicable insurance policies as required by the relevant laws and regulations from time to time. Further, in circumstances where we act as a main contractor for a project, we may be required to purchase employees’ compensation insurance and contractor’s all risk insurance policies for such project as required by the terms of the contract. Please refer to “Business – Insurance” in this prospectus for more details of our insurance policies. There is no guarantee that our current insurance policies can sufficiently compensate us for all potential losses or damages arising from or in connection with our business operations or can adequately insure us against all potential liabilities and claims.

RISK FACTORS

Further, our current insurance policies are subject to liability limits and exclusions. Certain types of losses, such as losses due to technological failure, pollution and contamination, acts of God, political unrest, terrorist attacks and professional negligence, are uninsurable or are not commercially viable to be insured against. We may suffer potential losses, damages or liabilities in the course of our business operations which far exceed the coverage of our policies. As such, we may have to incur significant costs drawn from our own resources for such uninsured losses, which could materially and adversely affect our financial conditions and business operations.

Upon the expiry of our current insurance policies, there is no assurance that we will be able to renew the policies on similar or other terms economically reasonable to us or at all. The insurer will review our policies and our insurance premiums payables with reference to our insurance claims track record and the prevailing market conditions. In the event that the insurance premiums payable by us are significantly increased, our financial positions and results of operations could be materially and adversely impacted.

Our operations are susceptible to adverse weather conditions

As Macau is susceptible to typhoons, this may cause interruption to business operations and damage to properties located in Macau. In August 2017, Macau experienced severe damage from a typhoon which caused several deaths, interruptions in water and electricity supplies and extensive damage to properties. There is no assurance that we will not experience business interruptions due to typhoons, or that we will not suffer damage on our E&M projects prior to the inspection and acceptance by our customers, which may have adverse and material effects on our results of operations and financial performance.

Furthermore, some of our Group's E&M projects are undertaken at outdoor work sites. As such, adverse weather conditions such as rainstorms and typhoons may cause disruption and delays in our operation and work progress. Accordingly, if we experience interruption or delay in our work progress due to adverse weather conditions, we may have to incur additional costs to meet the scheduled completion date or may otherwise be subject to liquidated damages or other penalties for delay in project completion, which may adversely and materially affect our results of operations, financial performance and profitability.

RISKS RELATING TO CONDUCTING BUSINESS IN MACAU

Failure to comply with the relevant rules and regulations governing the E&M engineering services industry in Macau may have adverse impact on our business operations

Under the relevant laws and regulations in Macau, our Group is required to be duly registered with the DSSOPT as a licensed contractor to execute E&M engineering services works in Macau. In the event that we fail to obtain and/or renew our registration, we will not be eligible to tender for, undertake and carry out any E&M projects, which may materially and adversely affect our business operations and financial performance.

RISK FACTORS

In addition, the existing regulatory regime in Macau in relation to the E&M engineering services industry is subject to revision by the Macau government from time to time. Any material changes to the existing rules and regulations, including the requirements regarding the granting and/or renewal of registration, may significantly increase our compliance burden and costs. In the event that we fail to respond to the new regulations in time or at all, our operations and financial performance may be adversely affected.

Our business in Macau is highly competitive

We face keen competition within the E&M engineering services industry in Macau, which is estimated having more than 200 E&M engineering services works contractors in 2019 according to the Industry Report. The entry barriers of the E&M engineering services industry in Macau are (i) having the requisite skilled professionals and labour force; (ii) sufficient capital flow in order to cover the costs for materials and subcontracting works; (iii) having a strong relationship with customers, suppliers and subcontractors; and (iv) having strong track record and established reputation. New participants will need to have the appropriate technical and management capabilities and the requisite licenses and registrations to enter the industry.

In the course of tender/quotation submission and/or private negotiation with customers, we encounter intense competition from a large number of industry participants including Hong Kong and overseas E&M engineering services works companies. Some of our competitors may have stronger market presence with proven track records, more capital and manpower resources, longer operational histories, more licenses and qualifications and stronger professional networks with other stakeholders such as subcontractors and suppliers. To compete with such large number of market participants, we may face downward pricing pressure and thereby reducing our profit margins. We cannot assure you that our profit margin will not drop as a result of such pricing pressure.

Our Directors believe that the competitiveness of our business depends on our ability to deliver quality and timely works, our professional management skills and technical expertise, our effective cost and labour control and our ability to anticipate and respond to market changes in the competitive landscape. There is no assurance that we will be able to maintain or enhance our market position, the failure of which may materially and adversely affect our business operations and financial conditions.

We are exposed to risks associated with adverse changes in market conditions in Macau

Our Group is established in Macau and all of our operations, assets and managements are located in Macau. During the Track Record Period, all of our revenue were generated from our business operations in Macau. Most of our projects undertaken during the Track Record Period were related to hotels, integrated entertainment resorts, commercial premises, public infrastructure and governmental offices in Macau. Accordingly, our business growth is dependent on the continued availability of projects in both the private and public sectors in Macau, which depends on an array of factors including the prevailing economic, political and social circumstances of Macau, the Macau government's initiatives and policies on the E&M

RISK FACTORS

engineering services industry, funds allocation on public infrastructure and overall development plan of Macau, and the potential investments and expansion plans of hotels and resorts owners or operators and property developers in Macau. Approximately 73.8%, 80.0%, 59.1% and 87.5% of our total revenue during the Track Record Period were derived from our private sector projects, respectively, and approximately 26.2%, 20.0%, 40.9% and 12.5% of our total revenue during the Track Record Period were derived from our public sector projects, respectively. In the event that there is a reduction in capital expenditure by the Macau government on infrastructure projects or otherwise a decline in demand for E&M projects in Macau, our business and results of operation may be adversely affected.

Further, we are subject to the conditions of the E&M engineering services industry in Macau, which are cyclical in nature and are determined by the interplay of a variety of factors, including the cyclical trends in the construction industry and the general economy of Macau. If there is a downturn in the construction industry in Macau, the demands for E&M engineering services works such as implementation of E&M systems in new building developments may be reduced, or there may be risks of postponement, delay or cancellation of projects, which may materially and adversely affect our operations, financial condition and profitability.

RISKS RELATING TO THE GLOBAL OFFERING AND OUR SHARES

Our Shares are subject to risk of liquidity and possible price and trading volume volatility

Prior to the Global Offering, there has been no public market for our Shares. The initial range of the Offer Price was determined as a result of negotiations between our Company (for ourselves and on behalf of the Selling Shareholders) and the Sole Global Coordinator (for itself and on behalf of the Underwriters) and may differ significantly from the market price of our Shares following the completion of the Global Offering. There is no guarantee that: (i) an active trading market for our Shares will develop or be sustained following the completion of the Global Offering; or (ii) the market price of our Shares will not decline below the Offer Price.

Further, the market price and trading volume of our Shares may be highly volatile. Factors such as variations in our earnings, cash flows and revenue, and announcements of new investments and/or strategic alliances could cause the market price and trading volume of our Shares to change suddenly and substantially. In addition, stock markets and the shares of some listed companies in Hong Kong have experienced substantial price volatility in the past. It is likely that our Shares may be subject to the broad market and industry fluctuations in market price and trading volume which may not be related to the financial or business performance of our Company from time to time.

RISK FACTORS

Our Controlling Shareholders have substantial influence over our Company, and the interests of our Controlling Shareholders and the Pre-IPO Investors may conflict with the interests of the our other Shareholders

Immediately following the Capitalisation Issue and the Global Offering (without taking into account any Shares to be issued upon exercise of the options granted under the Share Option Scheme), our Controlling Shareholders and the Pre-IPO Investors will in aggregate hold 75% of the total number of issued Shares. Our Controlling Shareholders and the Pre-IPO Investors may have significant influence over our Company, including matters relating to our management, decision and policies regarding acquisitions, mergers, expansion plans, consolidations and sales of all or substantially all of our assets, election of our Directors and other significant corporate actions. This concentration of ownership may discourage, delay or prevent a change in control of our Company, which could deprive our Shareholders of an opportunity to receive a premium for their Shares in a sale of our Company or could reduce the price of our Shares.

Further, the interests of our Controlling Shareholders and the Pre-IPO Investors may not be aligned with the interests of our other Shareholders. There is a possibility that our Controlling Shareholders and the Pre-IPO Investors may exercise their substantial influence over our Company and cause our Company to enter into transactions or take, or fail to take, other actions or make decisions which conflict with the best interest of our other Shareholders.

Prior dividends declaration may not be indicative of our future dividend policy

The declaration of dividends is proposed by our Board and subject to the applicable laws and regulations and our Shareholders' approval. For details of our Company's dividend payments during and after the Track Record Period, please refer to "Financial information – Dividends and distributable reserve" in this prospectus. The declaration and distribution of dividends during the Track Record Period should not be regarded as an indication that we will declare and distribute dividends in such manner or at such time in the future, or will declare and pay any dividends in the future at all. Whether dividends will be distributed and the amount of any dividend to be declared and distributed in the future will be at the discretion of our Directors and will depend on, among other things, our results of operations, cash flows and financial conditions, operating and capital requirements and future prospects, and our constitutional documents and the laws of the Cayman Islands.

Investors should not rely on any information contained in press or other media regarding our Company and the Global Offering

Prior to the publication of this prospectus, there has been and will be press articles and media coverage regarding our Company and the Global Offering which might include certain financial information, financial projections, and other information about us which do not appear in this prospectus. We make no representation and do not accept any responsibility for any such coverage or the accuracy, completeness or reliability of any such information. As such, prospective investors should not place reliance on any of such information in making their investment decisions in relation to our Shares.

RISK FACTORS

Owing to the time gap between pricing and trading of our Shares, there is a risk that the price of our Shares may fall before trading of our Shares begins

The Offer Price of our Shares will be determined on the Price Determination Date, which is expected to be on or about Thursday, 3 September 2020. However, trading of our Shares on the Main Board will not commence until 9:00 a.m. on the Listing Date, which is expected to be a short period after the Price Determination Date. During this period, holders of our Shares may not be able to sell or otherwise deal in our Shares. Accordingly, holders of our Shares may be subject to the risk that trading price of our Shares may fall before trading of our Shares begins due to adverse market conditions or other adverse development arising during the period between the Price Determination Date and the date on which trading of our Shares will begin.

Future sales or market perception of sales of a substantial number of our Shares in the public market could materially and adversely affect the trading price of our Shares

After the completion of the Global Offering, future sales of a substantial number of our Shares or other securities relating to our Shares in the public market, the issuance of new Shares or other securities relating to our Shares, or the market perception that such sales or issuances may occur, could adversely affect the market price of our Shares and our ability to raise future capital at a favourable time and price.

The Shares owned by our Controlling Shareholders are subject to certain lock-up period. There is no assurance that they will not dispose of their shareholdings following the expiration of the lock-up periods. The Shares owned by the Pre-IPO Investors are not subject to lock-up period. Any significant disposal of our Shares by any of our Controlling Shareholders or the Pre-IPO Investors may adversely affect the prevailing market price of our Shares. We cannot predict the effect of any future sales or market perception of sales of a substantial number of our Shares in the public market on the market price of our Shares.

Our management has discretion as to how we will use the net proceeds from the Global Offering, and potential investors may not necessarily agree with how we will use them

Our management may use the net proceeds from the Global Offering in ways potential investors may not agree with or that do not yield a favourable return. We plan to use the net proceeds from the Global Offering for (i) funding part of the specific material costs as well as the upfront expenditure (excluding performance bonds) of our certain projects on hand as at 30 June 2020 and the Specific Tendered Projects that may be secured by us; (ii) financing the issuance of performance bonds; (iii) expanding our workforce; (iv) acquiring additional construction machineries and equipment; and (v) general working capital. For details of our intended use of proceeds, please refer to “Future plans and use of proceeds” in this prospectus. However, our management will have discretion as to the actual application of our net proceeds. You are entrusting your funds to our management, upon whose judgment you must depend, for the specific uses we will make of the net proceeds from the Global Offering.

RISK FACTORS

Potential investors will experience immediate and substantial dilution as a result of the Global Offering and may experience further dilution as a result of future equity financings

The Offer Price of our Shares is substantially higher than the net tangible book value per Share immediately prior to the Global Offering. Thus, potential investors may experience an immediate dilution when they purchase our Offer Shares in the Global Offering. If we are to distribute our net tangible assets to the Shareholders immediately following the Global Offering, potential investors would receive less than the amount they have paid for their Shares.

For the purpose of further expansions or new developments in our existing operations, we may need to raise additional funds in the future through issuing securities or equity-linked securities of our Company other than on a pro-rata basis to existing Shareholders. Prospective investors of our Shares may experience a further dilution of their shareholding in our Company and such new securities may confer rights and privileges that take priority over those conferred by our Shares.

Potential investors may experience difficulties in enforcing their shareholders' rights because our Company is incorporated in the Cayman Islands, and the laws of the Cayman Islands relating to the protection of minority shareholders' interests may differ from that of Hong Kong or other jurisdictions

Our Company is incorporated in the Cayman Islands and our affairs are governed by the Articles, the Companies Law and common law applicable in the Cayman Islands. The laws of the Cayman Islands may be different from that of Hong Kong or other jurisdictions where potential investors may be located. As a result, minority Shareholders may not enjoy the same rights as pursuant to the laws of Hong Kong or such other jurisdictions. For the summary of the Cayman Islands law on protection of minority shareholders, please refer to "Summary of the constitution of our Company and Cayman Islands company law – Cayman Islands company law" in Appendix III to this prospectus.

If securities or industry analysts do not publish research or reports or cease publishing research or reports about our business, or if they adversely change their recommendations or publish negative reports regarding our Shares, the market price and trading volume of our Shares may decline

The trading market for our Shares will be influenced by research and reports that industry or securities analysts publish about our Company or our business. There is no assurance that the analysts will cover us or provide favourable coverage. If one or more analyst adversely changes their recommendation regarding our Share or publish negative opinions about our Company, the market price of our Share may decline. If any analysts ceases coverage of our Company or fails to regularly publish reports on us, we may lose visibility in the financial markets, which, in turn, may cause the market price or trading volume of our Shares to decline.

RISK FACTORS

RISKS RELATING TO THIS PROSPECTUS

Prospective investors should not unduly rely on facts, statistics and forecasts derived from official government publications contained in this prospectus

This prospectus contains certain facts, statistics and data that have been derived from official government sources and publications and other sources. Our Company believes the sources of these facts and statistics are reliable and appropriate, and has no reason to believe that such information is false or misleading or is rendered so by any omission of facts. Our Company has taken reasonable care in extracting and reproducing such statistics and facts. However, there is no guarantee as to the quality or reliability of such information. These statistics and facts from these sources have not been prepared nor have they been independently verified by our Company, the Selling Shareholders, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Joint Lead Managers, the Underwriters or any of their respective affiliates or advisers or any other party involved in the Global Offerings (other than Frost & Sullivan in respect of the Industry Report) and therefore, our Company makes no representation as to the accuracy or completeness of such facts, statistics and data. Prospective investors should not place undue reliance on these facts and statistics. Due to possibly flawed or ineffective collection methods or discrepancies between published information, market practice and other problems, the statistics contained in this prospectus may not be accurate or comparable to statistics produced in other publications or for other economies. There is no guarantee that they are stated or compiled with on the same basis or with the same degree of accuracy as the case may be elsewhere. In any event, prospective investors should consider how much weight they should attach to such information when making their investment decisions in relation to our Shares.

Forward-looking statements contained in this prospectus may not be accurate and hence prospective investors should not place undue reliance on such statements

This prospectus contains certain forward-looking statements relating to our Company that are based on the beliefs of our Directors as well as assumptions based on the information currently available to them. When used in this prospectus, the words “anticipate”, “believe”, “forecast”, “estimate”, “expect”, “intend”, “plan”, “potential” and similar expressions, as they relate to our Directors, our Company or our Group, are intended to identify forward-looking statements. Such statements reflect the current views of our Directors regarding future events, operations, liquidity and capital resources. These statements are subject to certain known and unknown risks, uncertainties and assumptions, including the other risk factors as described in this prospectus, and may not materialise or may change. Prospective investors should not unduly rely on such forward-looking statements.

WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES

MANAGEMENT PRESENCE IN HONG KONG

According to Rule 8.12 of the Listing Rules, an issuer must have a sufficient management presence in Hong Kong, which normally means that at least two of its executive directors must be ordinarily resident in Hong Kong.

Our executive Directors and members of our Group's senior management are based in Macau and are expected to continue to be based in Macau. In addition, substantially all of our assets are based in Macau and our headquarters, business and operations are located, managed and conducted in Macau. As each of our executive Directors has a vital role in our business and operations, it is important for them to remain to be based in Macau. Relocation of our executive Directors to Hong Kong will be burdensome and costly for our Company and it will require time to process the application for residency in Hong Kong. Moreover, it may not be in the best interest of our Company and Shareholders as a whole to appoint additional executive Directors who are ordinarily resident in Hong Kong for the sole purpose of satisfying the management presence requirements as such arrangement will increase our administrative expenses and reduce the effectiveness and responsiveness of the Board in making decisions. Our Company currently does not, and in the foreseeable future will not, have a sufficient management presence in Hong Kong as required under Rule 8.12 of the Listing Rules. Therefore, the Sole Sponsor has, on our behalf, applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from compliance with Rule 8.12 of the Listing Rules on the following conditions:

- (a) pursuant to Rule 3.05 of the Listing Rules, we have appointed two authorised representatives, Mr. Cheong, the chairman and the chief executive officer of our Company and an executive Director, and Mr. Chan Yat Lui, our company secretary who will act as our principal channel of communication with the Stock Exchange. Although Mr. Cheong resides in Macau, he possesses valid travel documents to travel to Hong Kong. Each of the authorised representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable time frame upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile and email. Each of the two authorised representatives will be authorised to communicate on our behalf with the Stock Exchange. In addition, our Company has been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance and Mr. Chan Yat Lui has also been authorised to accept service of legal process and notices in Hong Kong on behalf of our Company.
- (b) both authorised representatives have means to contact all of the Directors (including the independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact our Directors for any matters. Our Directors who are not ordinarily resident in Hong Kong possess or can apply for valid travel documents to visit Hong Kong and will be able to meet with the Stock Exchange within a reasonable period of time, when required. Each of the Directors will (a) have to provide his/her office phone number, mobile phone number, facsimile number and email address to the authorised representatives; (b) in the event that a Director expects to travel, he/she will endeavour to provide the phone number of the

WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES

place of his/her accommodation to the authorised representatives or maintain an open line of communication via his/her mobile phone; and (c) each of our Directors and the authorised representatives will provide his/her respective office phone number, mobile phone number, facsimile number and email address to the Stock Exchange.

- (c) pursuant to Rule 3A.19 of the Listing Rules, our Company has appointed Innovax Capital Limited as our compliance adviser which has access at all times to the authorised representatives, our Directors, senior management and other officers of our Company, and will act as an additional channel of communication with the Stock Exchange.
- (d) meetings between the Stock Exchange and our Directors could be arranged through the authorised representatives or the compliance adviser, or directly with our Directors within a reasonable time frame. Our Company will inform the Stock Exchange as soon as practicable in respect of any change of authorised representatives and/or the compliance adviser.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) (as amended) and the Listing Rules for the purpose of giving information to the public with regard to our Company. Our Directors, collectively and individually, accept full responsibility for the accuracy of the information contained in this prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, there are no other matters the omission of which would make any statement in this prospectus misleading, and all opinions expressed in this prospectus have been arrived at after due and careful consideration and are formed on bases and assumptions that are fair and reasonable.

THE GLOBAL OFFERING

This prospectus is published solely in connection with the Hong Kong Public Offering. For applicants under the Hong Kong Public Offering, this prospectus and the related Application Forms set out the terms and conditions of the Hong Kong Public Offering. The Global Offering comprises the Hong Kong Public Offering of initially 12,500,000 Hong Kong Offer Shares and the International Placing of initially 112,500,000 International Placing Shares (subject, in each case, to reallocation on the basis described in “Structure of the Global Offering” in this prospectus).

The Global Offering is sponsored by the Sole Sponsor, namely Innovax Capital. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholders) on the Price Determination Date. The Global Offering is managed by the Sole Global Coordinator. For further details of the Underwriters and underwriting arrangements, please refer to “Underwriting” in this prospectus.

DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price, which is expected to be fixed by agreement between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholders) on the Price Determination Date.

If, for whatever reason, the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholders) are unable to reach an agreement on the Offer Price by Tuesday, 8 September 2020, the Global Offering will not become unconditional and will lapse immediately.

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

Each person acquiring the Offer Shares will be required, and is deemed by his acquisition of the Offer Shares, to confirm that he is aware of the restrictions on offers of the Offer Shares described in this prospectus and that he is not acquiring, and has not been offered, any Offer Shares in circumstances that contravene any such restrictions.

No action has been taken to permit any public offering of the Offer Shares or the distribution of this prospectus and/or the related Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation, nor is it calculated to invite or solicit offers in any jurisdiction or in any circumstances in which such offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the securities laws of such jurisdiction pursuant to registration with or an authorisation by the relevant securities regulatory authorities or an exemption therefrom. Prospective applicants for the Offer Shares should consult their financial advisers and seek legal advice, as appropriate, to inform themselves of, and to observe, all applicable laws, rules and regulations of any relevant jurisdiction. Prospective applicants for the Offer Shares should also inform themselves as to the relevant legal requirements and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

The Offer Shares are offered to the public in Hong Kong for subscription solely on the basis of the information contained and representations made in this prospectus and the related Application Forms. No person is authorised in connection with the Hong Kong Public Offering to give any information, or to make any representation, not contained in this prospectus and the related Application Forms, and any information or representation not contained in this prospectus and the related Application Forms must not be relied upon as having been authorised by us, the Selling Shareholders, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Joint Lead Managers, the Underwriters or any of their respective directors or any other persons or parties involved in the Global Offering.

Each person acquiring the Offer Shares in the Global Offering will be required to confirm, or be deemed by its acquisition of Offer Shares to have confirmed, that it is aware of the restrictions on offers and sales of the Offer Shares described in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

SELLING SHAREHOLDERS

The Global Offering initially consists of 125,000,000 Shares, of which 21,900,000 Shares are being sold by the Selling Shareholders under the International Placing. We estimate that the net proceeds to the Selling Shareholders from the Sale Shares (after deduction of proportional underwriting fees and estimated expenses payable by our Selling Shareholders in relation to the Global Offering, and assuming an Offer Price of HK\$1.10 per Offer Share, being the mid-point of the indicative Offer Price range) will be approximately HK\$19.9 million. Our Company will not receive any of the proceeds from the sale of the Sale Shares.

Please refer to “Statutory and general information – D. Other information – 12. Particulars of the Selling Shareholders” in Appendix IV to this prospectus for details of the Selling Shareholders.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Our Company has applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering, the Capitalisation Issue and upon the exercise of any options which may be granted under the Share Option Scheme.

Save as disclosed in this prospectus, no part of the share or loan capital of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to deal is being or proposed to be sought in the near future.

Under section 44B(1) of the Companies (WUMP) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by or on behalf of the Stock Exchange.

ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, our Shares on the Stock Exchange and our Company’s compliance with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the general rules of CCASS and CCASS operational procedures in effect from time to time.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

All necessary arrangements have been made for the Shares to be admitted into CCASS. If you are unsure about the details of CCASS settlement arrangements and how such arrangements will affect your rights and interests, you should seek the advice of your stockbrokers or other professional advisers.

PROFESSIONAL TAX ADVICE RECOMMENDED

You should consult your professional advisers if you are in any doubt as to the tax implications of subscription for, purchasing, holding or disposing of and dealing in our Shares under the laws of the place at your operations, domicile, residence, citizenship or incorporation. We emphasise that none of our Company, the Selling Shareholders, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, any of their respective directors, agents or advisers or any other person involved in the Global Offering accepts responsibility for your tax effects or liabilities resulting from your subscription for, purchase, holding or disposal of or dealing in our Shares.

HONG KONG BRANCH SHARE REGISTER AND STAMP DUTY IN HONG KONG

All Shares issued pursuant to applications made in the Global Offering will be registered in our Company's branch register of members to be maintained in Hong Kong.

Dealings in the Shares will be subject to Hong Kong stamp duty.

Unless otherwise determined by our Company, dividends payable in HK dollars in respect of the Shares will be paid to the shareholders listed on the Hong Kong branch share register of our Company, by ordinary post, at the shareholders' risk, to the registered address of each Shareholder.

PROCEDURE FOR APPLICATION FOR HONG KONG OFFER SHARES

The application procedure for the Hong Kong Offer Shares is set out in "How to apply for Hong Kong Offer Shares" in this prospectus and on the relevant Application Forms.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in "Structure of the Global Offering" in this prospectus.

EXCHANGE RATE CONVERSION

Certain amounts denominated in MOP have been translated into HK\$ and vice versa at an exchange rate of HK\$1.00 : MOP1.03, for illustration purposes only. Such conversions shall not be constructed as representations that amounts in HK\$ or MOP were or may have been converted into those currencies and vice versa at such rate or any other exchange rates.

ROUNDING

Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

Name	Residential address	Nationality
Executive Directors		
Mr. Cheong Ka Wo (張嘉和)	Yoho Macau Tower Floor 7, Flat K No. 32 Rua do Laboratório Macau	Chinese
Mr. Leong Kam Leng (梁金玲)	Rua de Bragança, No. 37G 6 Andar E6 Edif. Mei Keng Garden Taipa Macau	Chinese
Independent non-executive Directors		
Mr. Chan Ming Kit (陳銘傑)	Flat A, 25/F., Block 14 Wonderland Villas Kwai Chung, New Territories Hong Kong	Chinese
Mr. Law Lap Tak (羅納德)	Flat B, 6/F., Tower 4 Discovery Park 398 Castle Peak Road Tsuen Wan New Territories Hong Kong	Chinese
Ms. Lee Sze Ming (李思鳴)	Flat B, 9/F, Block 5 Bayview Garden Tsuen Wan New Territories Hong Kong	Chinese

Further information about our Directors and other senior management members are set out in “Directors and senior management” in this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor

Innovax Capital Limited

Room 2002, Chinachem Century Tower
178 Gloucester Road
Wanchai
Hong Kong
*Licensed corporation under the SFO
permitted to carry out type 1 (dealing in
securities) and type 6 (advising on
corporate finance) regulated activities (as
defined under the SFO)*

Sole Global Coordinator and Sole Bookrunner

Innovax Securities Limited

Unit A-C, 20/F
Neich Tower
128 Gloucester Road
Wanchai
Hong Kong
*Licensed corporation under the SFO
permitted to carry out type 1 (dealing in
securities) and type 4 (advising on
securities) regulated activities (as defined
under the SFO)*

Joint Lead Managers

Innovax Securities Limited

Units A-C, 20/F
Neich Tower
128 Gloucester Road
Wanchai
Hong Kong
*Licensed corporation under the SFO
permitted to carry out type 1 (dealing in
securities) and type 4 (advising on
securities) regulated activities (as defined
under the SFO)*

Eddid Securities and Futures Limited

23/F, YF Life Tower

33 Lockhart Road

Wanchai

Hong Kong

Licensed corporation under the SFO permitted to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 3 (leveraged foreign exchange trading), type 4 (advising on securities), type 5 (advising on futures contracts) and type 9 (asset management) regulated activities (as defined under the SFO)

Marketsense Securities Limited

15/F, Siu On Centre

No. 188 Lockhart Road

Wanchai, Hong Kong

Licensed corporation under the SFO permitted to carry out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities (as defined under the SFO)

TD King Securities Limited

Unit A, 10/F, YHC Tower

No. 1 Sheung Yuet Road

Kowloon Bay

Kowloon, Hong Kong

Licensed corporation under the SFO permitted to carry out type 1 (dealing in securities) and type 2 (dealing in futures contracts) regulated activities (as defined under the SFO)

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Legal advisers to our Company

As to Hong Kong law:

Sidley Austin

Level 39, Two International Finance Centre
8 Finance Street
Central
Hong Kong

As to Macau law:

FCLaw Lawyers & Private Notaries

Av. Almeida Ribeiro, n° 61
Edifício Circle Square, 13° B-E
Macau

Dr. Edmundo Pan

Av. da Amizade, n° 555
Edifício Landmark
13° andar, Sala 1308
Macau

As to Cayman Islands law:

Conyers Dill & Pearman

Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Legal advisers to the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Joint Lead Managers and the Underwriters

As to Hong Kong law:

MinterEllison LLP

Level 32, Wu Chung House
213 Queen's Road East
Hong Kong

Auditors and Reporting Accountants

Deloitte Touche Tohmatsu

35/F One Pacific Place
88 Queensway
Hong Kong

Industry consultant

Frost & Sullivan Limited

Suite 1706
One Exchange Square
8 Connaught Place
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Compliance Adviser

Innovax Capital Limited

Room 2002, Chinachem Century Tower

178 Gloucester Road

Wanchai

Hong Kong

Licensed corporation under the SFO

permitted to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities (as defined under the SFO)

Receiving bank

Bank of China (Hong Kong) Limited

1 Garden Road

Hong Kong

CORPORATE INFORMATION

Registered office	Cricket Square Hutchins Drive PO Box 2681 Grand Cayman, KY1-1111 Cayman Islands
Headquarters and principal place of business in Macau	Estrada Marginal do Hipódromo No. 56-68 Edifício Industrial Lee Cheung 13 Andar D Macau
Principal place of business in Hong Kong	Rooms 1909-13, 19th Floor Tai Yau Building 181 Johnston Road Wanchai, Hong Kong
Company's website	www.macauem.com <i>(information contained in this website does not form part of this prospectus)</i>
Company secretary	Mr. Chan Yat Lui (CPA) Flat D, 6/F. Chung Nam Building 163 King's Road North Point Hong Kong
Authorised representatives	Mr. Cheong Ka Wo Yoho Macau Tower Floor 7, Flat K No. 32 Rua do Laboratório Macau Mr. Chan Yat Lui (CPA) Flat D, 6/F. Chung Nam Building 163 King's Road North Point Hong Kong
Audit committee	Mr. Law Lap Tak (Chairman) Mr. Chan Ming Kit Ms. Lee Sze Ming

CORPORATE INFORMATION

Remuneration committee	Mr. Chan Ming Kit (<i>Chairman</i>) Mr. Law Lap Tak Ms. Lee Sze Ming
Nomination committee	Ms. Lee Sze Ming (<i>Chairlady</i>) Mr. Law Lap Tak Mr. Chan Ming Kit
Principal Share Registrar	Conyers Trust Company (Cayman) Limited Cricket Square Hutchins Drive PO Box 2681 Grand Cayman KY1-1111 Cayman Islands
Hong Kong Branch Share Registrar	Tricor Investor Services Limited Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
Principal bankers	China Guangfa Bank Co. Ltd Macau Branch Alameda Dr. Carlos D' Assumpção N°s 181 a 187 Centro Comercial do Group Brilhantismo, 18° Andar Macau Banco Nacional Ultramarino Chong Fu Branch Alameda Dr. Carlos D' Assumpção No. 715-719 Macau

INDUSTRY OVERVIEW

The information presented in this section, unless otherwise indicated, is derived from various official government publications and other publications and from the market research report prepared by Frost & Sullivan, which was commissioned by us. We believe that the information has been derived from appropriate sources and we have taken reasonable care in extracting and reproducing the information. We have no reason to believe that the information is false or misleading in any material respect or that any fact has been omitted that would render the information false or misleading in any material respect. The information has not been independently verified by us, the Selling Shareholders, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, or any of our or their respective directors, officers or representatives or any other party (other than Frost & Sullivan) involved in the Global Offering nor is any representation given as to its accuracy or completeness.

SOURCE OF INFORMATION

We have commissioned Frost & Sullivan, an independent market research and consulting company, to conduct an analysis of, and to prepare a report on the Macau E&M engineering services market. The report prepared by Frost & Sullivan for us is referred to in this prospectus as the Industry Report. We paid Frost & Sullivan a fee of HK\$880,000 which we believe reflects market rates for reports of this type.

Founded in 1961, Frost & Sullivan has 40 offices with more than 2,000 industry consultants, market research analysts, technology analysts and economists globally. Frost & Sullivan's services include technology research, independent market research, economic research, corporate best practices advising, training, client research, competitive intelligence and corporate strategy.

We have included certain information from the Industry Report in this prospectus because we believe this information facilitates an understanding of the Macau E&M engineering services market for the prospective investors. The Industry Report includes information on the Macau E&M engineering services market as well as other economic data, which have been quoted in the prospectus. Frost & Sullivan's independent research consists of both primary and secondary research obtained from various sources in respect of the Macau E&M engineering services market. Primary research involved in-depth interviews with leading industry participants and industry experts. Secondary research involved reviewing company reports, independent research reports and data based on Frost & Sullivan's own research database. Projected data were obtained from historical data analysis plotted against macroeconomic data with reference to specific industry-related factors. Except as otherwise noted, all of the data and forecasts contained in this section are derived from the Industry Report, various official government publications and other publications.

In compiling and preparing the research, save for the foreseeable impact resulted from COVID-19 outbreak, Frost & Sullivan assumed that the social, economic and political environments in the relevant markets are likely to remain stable in the forecast period, which ensures the steady development of the E&M engineering in Macau. In preparation of the forecast data, Frost & Sullivan also assumed that the outbreak of COVID-19 in Macau and overseas markets are likely under effective control in the long run with a gradual resumption of economic performance thereafter, with reference to the same assumption taken by the International Monetary Fund in preparation of the world economic outlook published in April and June 2020.

OVERVIEW OF MACAU MACROECONOMIC ENVIRONMENT

Nominal GDP

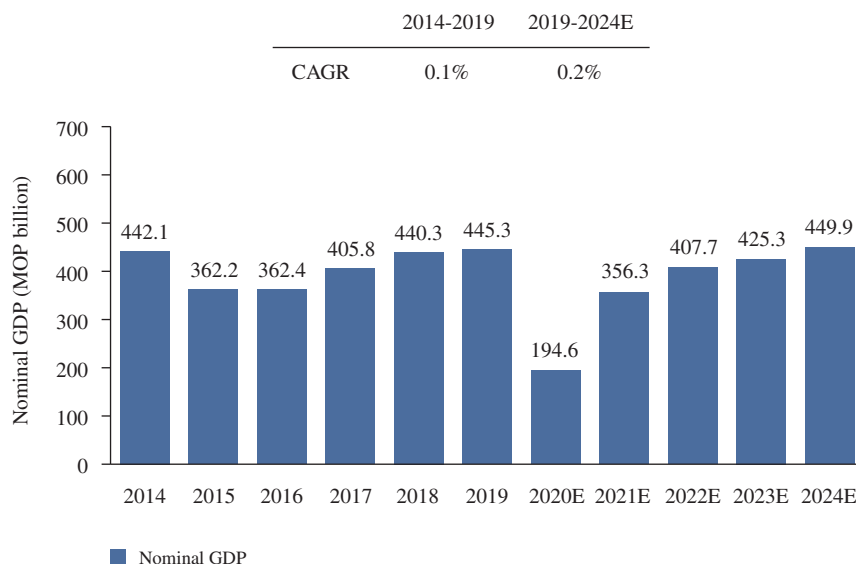
Macau had demonstrated a robust growth in nominal GDP in 2014 due to the booming gaming and tourism industries. In 2015 and 2016, with the implementation of anti-corruption initiatives by the PRC central government, the gaming and tourism performance was affected, leading to a drop in nominal GDP in Macau. The nominal GDP in Macau increased from approximately MOP442.1 billion in 2014 to approximately MOP445.3 billion in 2019, at a CAGR of approximately 0.1%.

The Macau economy has been affected by the COVID-19 outbreak as it hindered economic activities and tourist visits, with gaming, tourism and retail industries facing the biggest impact. According to the Macau Statistics and Census Service, Macau's GDP dropped by approximately 48.7% year-on-year in the first quarter of 2020 and is expected to drop by approximately 56.3% in 2020. However, the effect of the COVID-19 outbreak has gradually subsided in Macau and border controls have been easing accordingly. In fact, the PRC is to resume issuing tourist visas for visitors to Macau and Zhuhai has begun issuing tourist visas in 12 August 2020, including individual and group tours, for Chinese residents to travel to Macau. It is expected that the resumption issue of tourist visas would be expanded to the rest of the PRC in late September 2020, which effectively allows for the revival of the gaming industry whose revenue had been dropping since January 2020 due to the COVID-19 outbreak. With the easing of border controls in Macau, the number of tourists in Macau are showing signs of improvement and according to the Macau Statistic and Census Service, Macau recorded more than 22,556 visitors in June 2020, which represented a month-to-month increase of approximately 39.8%. As such, the GDP in Macau is expected to rebound in the second half of 2020 and in the near future as the number of tourist visits are expected to significantly improve. The outbreak of COVID-19 is expected to cause a short-term economic slowdown but may not affect the markets in Macau and the PRC in the long-run.

With the growing demand for goods and services as well as the recovery of tourism and gaming industries, it is expected that the nominal GDP will recover in 2021 and in the near future at a CAGR of approximately 0.2% from 2019 to 2024.

INDUSTRY OVERVIEW

Nominal GDP (Macau), 2014-2024E



Source: IMF, Frost & Sullivan

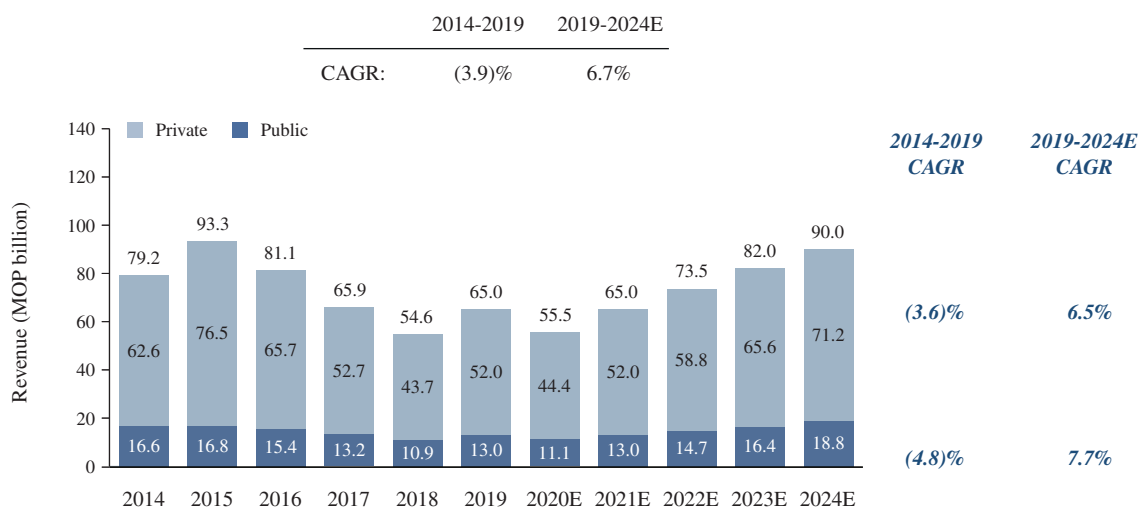
OVERVIEW OF MACAU CONSTRUCTION MARKET

Value of construction work done

With the strong demand for building construction due to the booming tourism and gaming industries, the value of construction works done had increased significantly from approximately MOP79.2 billion in 2014 to approximately MOP93.3 billion in 2015. The dramatic increase during 2014 to 2015 was primarily due to the construction of a number of new casinos and hotels in Macau. Following the significant growth during 2014 to 2015, there was a decline in the value of construction works done during 2016 to 2018. Despite the downturn in Macau gaming industry during 2015 to 2017, the Macau government has launched various promotional campaigns and related policies to support tourism. Meanwhile, the completion of Hong Kong – Zhuhai – Macau Bridge in the coming years is expected to promote the development in Macau, including the construction of new shopping malls, commercial areas and casinos. Hence, it is expected that the construction market of Macau will continue to grow at a CAGR of approximately 6.7% during 2019 to 2024, reaching approximately MOP90.0 billion in 2024.

INDUSTRY OVERVIEW

Value of construction works done and other receipts (Macau), 2014-2024E



Notes:

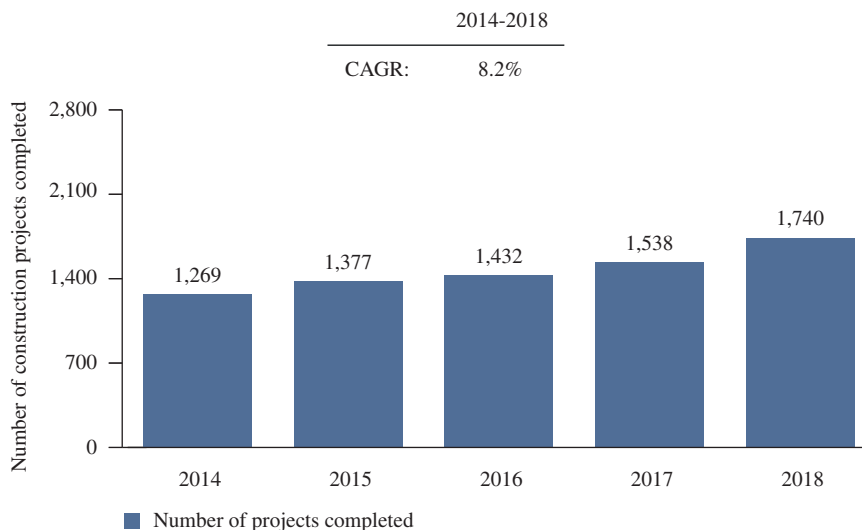
- Figures in 2018 are the latest figures available.
- Other receipts refer to receipts for non-construction services rendered to others, e.g. rental from leased property, income from letting of machinery and equipment without operator, receipts from technical consultant services, etc.

Source: Macau Department of Statistics, Frost & Sullivan

Completion of construction projects

The number of construction projects completed in Macau was on a relatively stable trend in the past few years. In addition to sizeable new building construction projects, there has been an increasing number of small scale projects involving maintenance and renovation of old buildings in Macau. As a result, the number of construction projects increased from 1,269 in 2014 to 1,740 in 2018, at a CAGR of approximately 8.2% while the value of construction works done and other receipts in Macau has declined during the period.

Number of construction projects completed (Macau), 2014-2018



Note: Figure in 2018 is the latest figure available.

Source: Macau Department of Statistics, Frost & Sullivan

INDUSTRY OVERVIEW

Major projects in the pipelines

Public sector

The Macau New Urban Zone, which is divided into five zones, is a huge land reclamation project in Macau, spanning over approximately 2.8 square miles. In particular, the development of Zone A would provide 28,000 public housing units and be realised in four phases. It is further planned that a public housing project will be constructed on Wai Long Avenue of Taipa, Macau, which will provide more than 6,000 units together with community facilities.

Below sets forth the forthcoming major construction projects in Macau in the public sector with an estimated project sum of over MOP100 million:

Project:
Carreira de Tiro Coloane (重建路環射擊場)
Novo Estabelecimento Prisional Fase 3 (新監獄－第三期)
Complexo de Serviços Comunitários da Praia do Manduco Fase 2 (下環街社會服務綜合大樓－第二期)
Travessia Pedonal da Avenida de Guimarães (基馬拉斯大馬路空中走廊)
Infraestruturas junto do Reservatório de Seac Pai Van (鄰近石排灣水庫基建)
Ministério Público Fase 2 (檢察院－第二期)
Reforço dos diques da Avenida Panorâmica do Lago de Sai Van (鄰近西灣湖景大馬路堤圍加固)
Empreitada de concepção e construção do sistema pedonal circundante (環松山步行系統設計連建造工程)
Sistema de Monitorização Digital da Cidade Fase 4 (全澳城市電子監察系統－第四階段)
Novo hospital (離島醫療綜合體)
Novo hospital – Alojamento para Trabalhadores (離島醫療綜合體－員工宿舍大樓)
Novo hospital – Edifício do Laboratório Central (離島醫療綜合體－中央化驗大樓)
Edifício de Saúde Pública - Fundações (公共衛生大樓－基礎)
Aterro da Zona C (C區填土)
Aterro da Zona D (D區填土)
Reordenamento do Canal dos Patos (鴨涌河整治)
Nova fronteira Guangdong – Macau – Posto fronteiriço de Macau (粵澳新通道 – 澳門側聯檢大樓)
Nova fronteira Guangdong – Macau – Posto fronteiriço de Zhuhai (澳新通道 – 珠海側聯檢大樓)
Túnel de Ká Hó – Acesso Norte (九澳隧道北連接線)
Viaduto entre Pac On e Zona E2 (北安連接E2區行車天橋)
Viaduto da Rotunda da Piscina Olímpica (奧林匹克游泳館圓形地行車天橋)
Habitação Pública na Av. Venceslau Morais – Fundações e Caves (慕拉士大馬路公共房屋 – 基礎及地庫)

INDUSTRY OVERVIEW

Private sector

Below sets forth the forthcoming major construction projects for hotels, casinos and residential developments in the private sector in Macau:

Project	Approximate development area ('000 sq.m.)	Estimated year of completion	Total investment (MOP billion)
Wynn Palace Phase 2 (永利皇宮第二期)	N/A	2025	16
The Londoner Macao (倫敦人)	N/A	To be confirmed	17
Studio City Macau Phase 2 (新濠影匯二期)	N/A (Two hotel towers with an aggregate of 900 rooms and suites)	2022	11
Lisboeta (葡京人)	106	2020	5
Extension of Galaxy Macao Phase 3 and Phase 4 (澳門銀河擴建第三及第四期)	N/A	2021	50
Libertine	N/A	2021	N/A
Hengqin New Area in Zhuhai city, the PRC	194	N/A	40 (Sale of land only, excluding the development costs)

Source: Frost & Sullivan

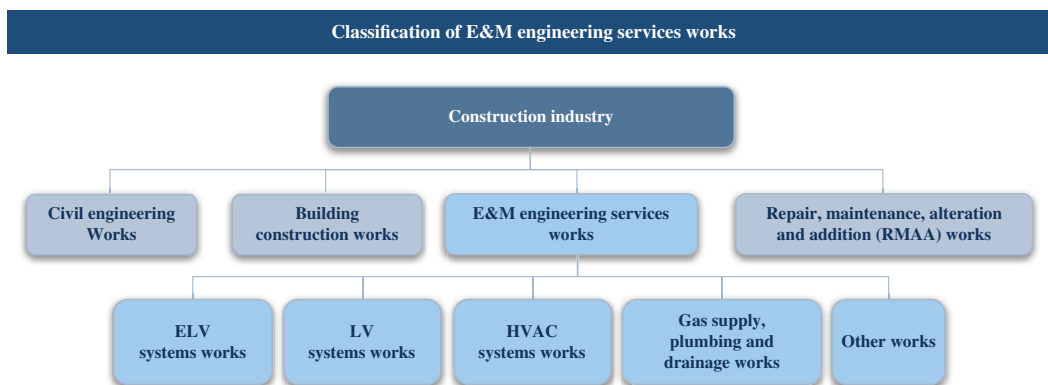
It is estimated that approximately 15% of the total investment in upcoming construction projects in Macau, including both the public and private sectors, will be attributable to E&M engineering services.

OVERVIEW OF MACAU E&M ENGINEERING SERVICES MARKET

Definition and classification

E&M engineering services works is one of the key domains under the construction industry in Macau, which generally covers design, supply, installation, testing and maintenance for a variety of systems such as ELV systems, LV systems, HVAC systems, gas supply and plumbing and drainage systems. Demand for E&M engineering services works is associated with construction works of new building and facilities as well as repairing and maintenance works of existing building and facilities.

Macau E&M engineering services market is at the mature stage where stable growth is forecasted to continue and increasing competition is found.

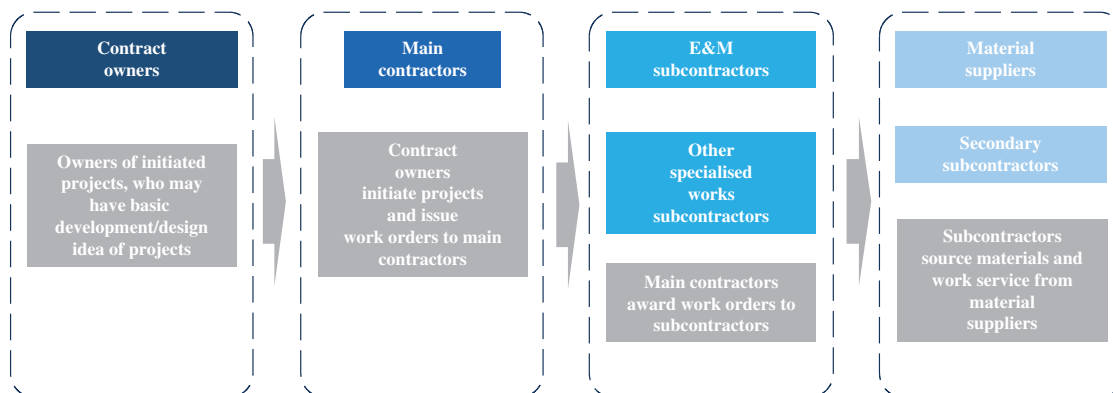


Source: Frost & Sullivan

INDUSTRY OVERVIEW

Value chain analysis

In Macau, construction projects in the private sector are initiated by the property developers and the major casino operators and awarded to the main contractors in the industry through tendering. It is not uncommon that the main contractors enter into subcontracts with one or more subcontractors, leading to secondary subcontracting. Specialised contractors generally offer raw materials, equipment, project management, execution, coordination and quality assurance.



Source: Frost & Sullivan

Market size

The market size in terms of output value of E&M engineering services works in Macau witnessed a steady growth from approximately MOP9.6 billion in 2014 to approximately MOP12.7 billion in 2019, representing a CAGR of approximately 5.8%. The growth was primarily driven by the commencement of key hotels development projects in Macau with substantial demand for installation of E&M systems in buildings while the decline in 2016 resulted from the slowdown of the growth in the construction market in Macau. The rising number of newly completed buildings in the commercial segment, including casinos, hotels and shopping malls, contributes to the constant demand for installation for E&M systems.

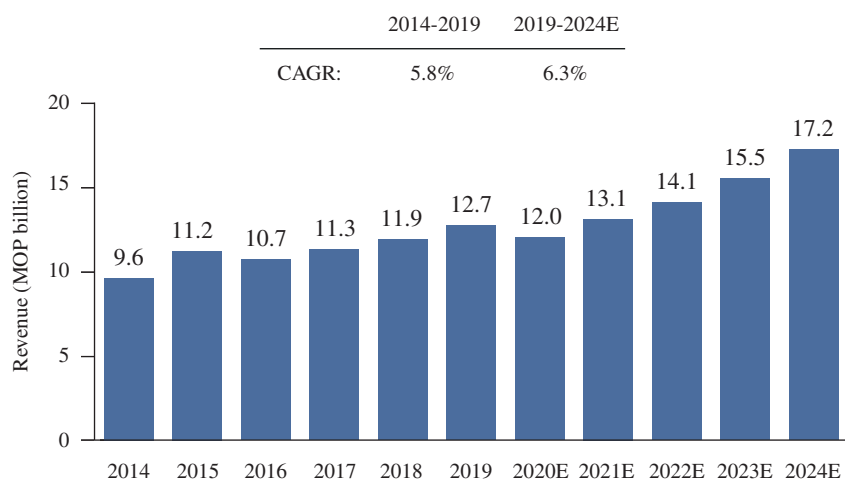
The Macau construction market in 2020 is expected to be cooling, as investor sentiment sours and some developers hold off new projects mainly due to external economic uncertainty caused by the U.S.-China trade war and the outbreak of COVID-19. The outbreak of COVID-19 has impacted the market performance of tourism, gaming and entertainment services in Macau due to border control measures. The demand for E&M engineering services works in 2020 is forecasted to record a slight decrease from approximately MOP12.7 billion in 2019 to approximately MOP12.0 billion in 2020, mainly due to the decline in gross fixed capital formation and the reduction in the number of building works. However, the outlook for the demand for E&M engineering services works in Macau in both private and public sectors remains positive once the COVID-19 is effectively controlled.

INDUSTRY OVERVIEW

The sustained renovation works in urban renewal and upgrade of buildings serve as the driver to the E&M engineering services market in Macau in the near future. Following the completions of a large number of casinos, hotels and other hospitality facilities in previous years, the number of ageing hospitality facilities is on the rise. With the public's rising expectation on the quality of buildings and increased competition, the property lifecycle for hospitality facilities in Macau has been shortening. The demand for repair and maintenance works would be driven by the strategy and planning of the casinos and hotels operators in Macau, which in turn increase the demand for repair and maintenance-related E&M works.

Together with increasing standards for reliability and safety of E&M engineering systems such as electricity, wiring and surveillance system, the market size in terms of output value of E&M engineering services works in Macau is expected to increase at a CAGR of approximately 6.3% during 2019 to 2024, reaching approximately MOP17.2 billion by 2024.

Market size in terms of output value of E&M engineering services works (Macau), 2014-2024E

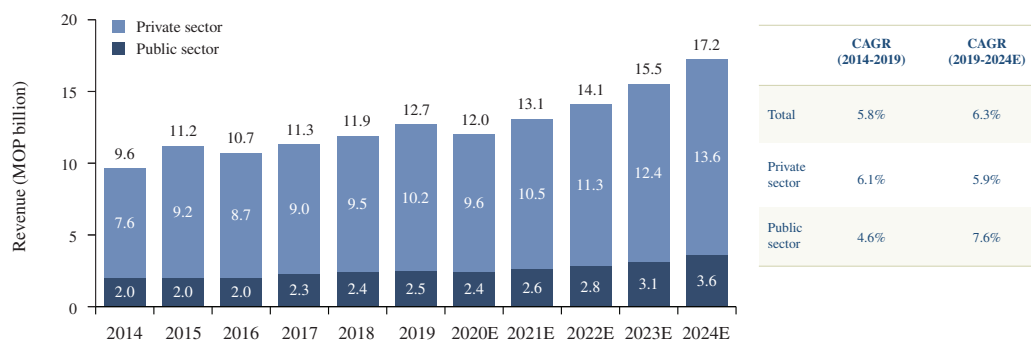


Source: Macau Department of Statistics, Frost & Sullivan

Specifically, the market size in terms of output value of the private sector increased from approximately MOP7.6 billion in 2014 to approximately MOP10.2 billion in 2019, at a CAGR of approximately 6.1%, which is attributable to the increase in the number of hotels and casinos in Macau. The shortening renovation cycle and rising safety standard would contribute to the growth of E&M engineering services works for hospitality facilities, including casinos and hotels. The private sector is expected to grow at a CAGR of approximately 5.9% from 2019 to 2024.

INDUSTRY OVERVIEW

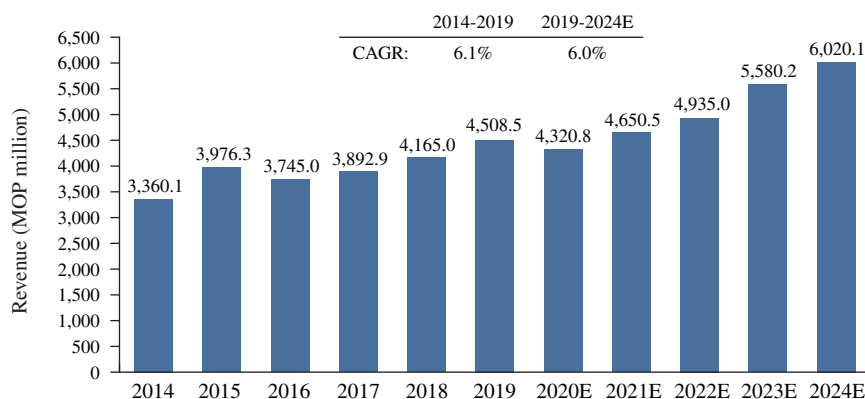
Market size in terms of output value of E&M engineering services works by private and public sectors (Macau), 2014-2024E



Source: Frost & Sullivan

Electrical systems works refer to the design, installation and maintenance of LV systems and ELV systems works. The market size in terms of output value of electrical systems works in Macau witnessed a steady growth from approximately MOP3,360.1 million in 2014 to approximately MOP4,508.5 million in 2019, representing a CAGR of approximately 6.1%. The market size in terms of output value of electrical systems works in Macau is forecasted to grow from 2019 to 2024 at a CAGR of approximately 6.0%.

Market size in terms of output value of electrical systems works (Macau), 2014-2024E

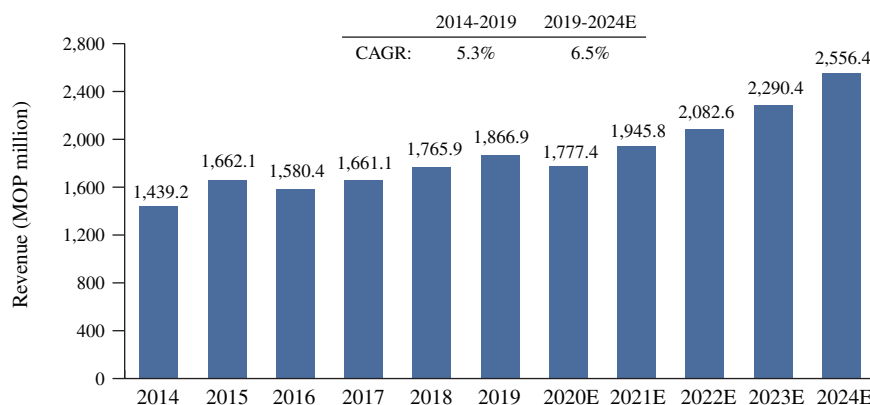


Source: Macau Department of Statistics; Frost & Sullivan

Following the growth of the overall E&M engineering services works, the market size in terms of output value of HVAC systems works in Macau increased from approximately MOP1,439.2 million in 2014 to approximately MOP1,866.9 million in 2019, at a CAGR of approximately 5.3%. The market size in terms of output value of HVAC systems works in Macau is expected to reach approximately MOP2,556.4 million in 2024, at a CAGR of approximately 6.5%.

INDUSTRY OVERVIEW

Market size in terms of output value of HVAC system works (Macau), 2014-2024E



Source: Macau Department of Statistics; Frost & Sullivan

Market drivers and opportunities

Increasing public housing supply and construction of facilities – The growth of the construction and E&M engineering services market in Macau is also driven by the land reclamation and urban development projects. To address the need of housing units including subsidised home-ownership scheme (HOS) flats and social rental housing units, the Macau government will expedite development of new urban zones, including the design and construction projects of Zones A and E1, the design of the administration and justice zone in Zone B, as well as the reclamation work for Zones C and D. It is further planned that a public housing project will be constructed on Wai Long Avenue of Taipa, Macau, which will provide more than 6,000 units together with community facilities. The development of Zone A would provide 28,000 public housing units and be realised in four phases. Meanwhile, development projects for other public facilities such as healthcare facilities, new Macau Central Library and Corpo de Bombeiros Headquarters and Coloane Mobile Station (消防局總部暨路環行動站) are also key drivers to the E&M engineering services market in Macau.

Development of non-gaming sector – Since the six existing gambling licences held by casino operators in Macau will expire between 2020 and 2022, in order to pass the stringent thresholds set by the Macau government, casino operators are encouraged by the authorities to embrace integrated development and shift their focus to non-gaming sectors. In view of increased competition, casino operators tend to upgrade or remodel their existing premises by introducing innovative technology, leisure, culture and recreation elements to demonstrate their contributions to Macau. This would support the growth of renovation, alterations and additions works, remodeling and improvement works in the near future. The expansion, renovation and rebranding of hospitality facilities, namely the development of Studio City Macau Phase 2, the extension of Galaxy Macao Phase 3 and Phase 4 and the extension of Sands Cotai and The Londoner Macao are forecasted to translate into growth opportunities for the E&M engineering services industry in Macau.

INDUSTRY OVERVIEW

Development of the Hengqin New Area in Zhuhai city, the PRC – A parcel of land of approximately 194,000 sq.m. located in the Hengqin New Area, Zhuhai city, the PRC was officially sold to Macau in 2020 to be used for the development of a residential real estate project to cater for the accommodation needs for Macau local residents living in Hengqin, the PRC. The sale which amounted to approximately RMB5.35 billion further highlights the push for deeper ties and integration between Macau, Hengqin and the Greater Bay Area in the PRC. The development of a residential real estate project requires investment in infrastructure, buildings and public utilities which in turn involves extensive performance of construction works and is expected to translate into growing demands for E&M engineering services works accordingly. The deeper integration between Macau, Hengqin and the Greater Bay Area in the PRC would also create more growth opportunities for the property market in Macau, which would in turn drive the demands for construction and E&M engineering services works in the future.

Market trend

Higher expectation from clients – the E&M engineering services market in Macau may recognise rising client requirements as a key trend. It is seen that there is a trend of rising clients demands within the E&M engineering services market in Macau. Examples include a lowered budget, tighter timeline, and the utilisation of complicated design or materials that raises the installation difficulty. Therefore, E&M engineering services works providers need to demonstrate their abilities to cater for the big varieties of demand from different clients.

Environmentally-friendly engineering services – environmental protection is now being emphasised across all industries, and the E&M engineering services industry in Macau is no exception. Eco-friendly technologies and materials are anticipated to continue to be widely adapted in the E&M engineering services industry to promote the concept of “green” buildings, where the materials applied can utilise resources more efficiently, reduce waste, and, most importantly, to protect the environment. With the increasing awareness among developers and residents towards environmental protection and energy saving, it is believed that such trend will continue to be reinforced.

Threats and challenges

Dependency on the gaming industry – Macau has always been an attractive tourism destination for its gaming industry, and the booming gaming industry has brought many opportunities to E&M engineering services works in Macau. Yet, over dependency on the gaming industry imposes a challenge to the E&M engineering services industry, especially to the market players who only focuses on serving clients in the gaming industry. E&M engineering services works providers will need to diversify their service scope across multiple industries, so as to minimise the risk of being too concentrated.

Rise in labour cost – the rapid development of the construction industry in Macau has intensified the imbalance between the supply and demand for labour. The labour shortage has further raised the wages of E&M workers. According to the Macau Department of Statistics,

INDUSTRY OVERVIEW

the average daily wages of electrician and electrical workers and air-conditioning mechanics have increased at a CAGR of approximately 1.9% and 2.1%, respectively, from 2014 to 2019. A rising labour cost translates into higher financial burden to the E&M engineering services industry players.

Labour cost

The average daily wages of E&M workers in Macau, including electricians and electrical workers and air-conditioning mechanics, grew at a CAGR of approximately 1.9% and 2.1% during 2014 to 2019, respectively.

Average daily wages of E&M workers (Macau), 2014-2019

Type of workers	Unit	2014	2015	2016	2017	2018	2019	CAGR (2014-2019)
Electricians and electrical workers	MOP	683	795	831	763	822	752	1.9%
Air-conditioning mechanics	MOP	700	755	827	937	871	776	2.1%

Source: Macau Department of Statistics, Frost & Sullivan

Materials cost

Set forth below is the price trend of major raw materials for E&M engineering services works:

Average price of selected materials for E&M engineering services works (Macau), 2014-2019

Materials	Unit	2014	2015	2016	2017	2018	2019	CAGR (2014-2019)
White PVC pipe for protecting electric and telephone wire (Length: 3m Diameter: 20mm – 32mm)	MOP/unit	11.6	11.3	11.3	12.3	12.4	12.6	1.7%
Thin grey PVC pipe for protecting electric and telephone wire and drainpipe (Length: 4m Diameter: 32mm)	MOP/unit	13.7	13.5	13.9	14.2	14.3	14.3	0.9%

INDUSTRY OVERVIEW

Materials	Unit	2014	2015	2016	2017	2018	2019	CAGR (2014-2019)
Thin grey PVC pipe for protecting electric and telephone wire and drainpipe (Length: 4m Diameter: 102mm)	MOP/unit	74.2	75.5	77.5	80.5	80.8	80.8	1.7%
Thick grey PVC water pipe (Length: 4m Diameter: 32mm)	MOP/unit	28.1	28.9	29.7	31.6	33.5	32.8	3.1%
Thick grey PVC water pipe (Length: 4m Diameter: 102mm)	MOP/unit	134.0	137.0	137.0	137.0	136	136	0.3%
Electric wire (single) (Size: 50mm ²)	MOP/100m	3,266.8	2,908.5	2,525.3	2,510.5	2,782.3	2,776.0	(3.2)%
Electric wire (single) (Size: 10mm ²)	MOP/100m	732.0	713.3	629.8	620.3	660.0	658.0	(2.1)%
Electric wire (single) (Size: 2.5mm ²)	MOP/100m	237.0	235.3	227.0	228.5	240.0	239.0	0.2%

Source: Macau Department of Statistics, Frost & Sullivan

COMPETITIVE LANDSCAPE OF MACAU E&M ENGINEERING SERVICES MARKET

Overview of market competition

The E&M engineering services market in Macau is fragmented, consisting of services providers of various scale, from local Macau, overseas, or Hong Kong.

There are larger players within the industry who are capable of providing a one-stop solution, including design, installation, and maintenance for multiple kinds of E&M engineering services works, allowing clients to save the hassle of shopping around during the purchasing process. These large-scale players would often act as main contractors in an E&M project. Nevertheless, it is common for them to subcontract a specific part of an E&M project to other contractors to achieve profit maximisation.

On the other hand, there are smaller players within the industry who usually specialise in particular segments of E&M engineering services works, such as ELV systems works or HVAC systems works. These small players often act as subcontractors of an E&M project.

INDUSTRY OVERVIEW

Ranking and market share

It is estimated that there are more than 200 E&M engineering services works contractors in Macau in 2019. The E&M engineering services industry in Macau is highly fragmented with the top five players contributing an aggregate of approximately 11.8% of the revenue generated in 2019. Our Group recorded revenue of approximately MOP237.7 million in 2019, accounting for a market share of approximately 1.9% in terms of revenue in the E&M engineering services industry.

Ranking and market share of leading E&M engineering services works contractors by revenue (Macau), 2019

Rank	Company	Estimated revenue in 2019 (MOP million)	Approximate market share (%)
1	Company A	365.5	2.9%
2	Company B	322.2	2.5%
3	Company C	305.1	2.4%
4	Company D	263.3	2.1%
5	Our Group	237.7	1.9%
Top five subtotal		1,493.8	11.8%
Others		11,206.2	88.2%
Total revenue of E&M engineering services industry in Macau		12,700.0	100.0%

Source: Frost & Sullivan

Notes:

- (1) Company A is an E&M engineering services player in Hong Kong and the shares of which listed on the Main Board of the Stock Exchange, providing a comprehensive range of E&M engineering services works with operations in the PRC and Macau.
- (2) Company B is a Macau engineering company engaging in the design, installation, maintenance and consultancy of different elements in the E&M engineering services industry such as high/low voltage electrical power supply systems, air-conditioning and ventilation systems, water supply and plumbing/drainage systems.
- (3) Company C is engaged in the provision of E&M engineering services and belongs to an established construction and engineering group listed on the Stock Exchange. It specialises in the provision of E&M engineering services in Hong Kong, Macau and the PRC.
- (4) Company D is a construction and engineering group with focus on the provision of E&M engineering services works in Hong Kong and Macau.

INDUSTRY OVERVIEW

Overview of market competition in electrical systems works

Similar to the HVAC systems works market, the electrical systems works market in Macau is concentrated in the commercial segment, especially casinos and hotels, being the major customers in terms of revenue contribution. It is estimated that the total number of players competing in the Macau's electrical systems works market was around 300 in 2019.

Overview of market competition in HVAC systems works

Owing to the characteristics of the economic structure in Macau, the customers in the downstream of the HVAC systems works market in Macau are concentrated in the tertiary industries, like hotels, casinos and tourism, etc., leading to limited business developing opportunities for HVAC systems works providers and hence resulting in a smaller number of market participants in Macau. Consequently, the HVAC systems works market in Macau demonstrated a high market concentration. It is estimated that the total number of players competing in the Macau's HVAC systems works market was around 200 in 2019.

Entry barriers

Labour force – it is critical for E&M engineering services works providers to maintain a talent pool of key personnel such as engineers and skilled direct labour to achieve quality project outcomes, which helps to build up a company's reputation. It is difficult for newcomers to recruit talents within a short period of time.

Sufficient capital flow – it is important for E&M engineering services works providers to possess a sufficient capital flow. The project payment term could be as long as three months to 12 months, depending on the project nature and cash flow liquidity of the project owner. Contractors would often be required to pay their suppliers and construction subcontractors in advance for the on-time completion of the project. A robust cash flow is therefore critical to success within the industry.

Professional network – a tightly built professional network within the E&M engineering services industry accelerate the success of market players. On the one hand, players need to maintain a decent relationship with both private and public properties developers so as to secure future tenders, and on the other hand, players have to build their own list of trusted suppliers and contractors so as to ensure adequate resources are available when needed. New entrants may therefore find it difficult to form such network within a short period of time.

Brand reputation – clients, especially large-scale project owners such as property developers, in the E&M engineering services industry usually prefer working with contractors who have a proven record of project experiences and well-established reputation. Companies with good reputation are those that are able to complete projects in a high quality and timely manner. It is also common for clients to keep a trusted list of E&M engineering services works providers for future potential project execution. It will therefore be difficult for new-entrants to secure E&M projects in Macau during the initial start-up stage.

INDUSTRY OVERVIEW

COMPETITIVE STRENGTHS OF OUR GROUP

Our Directors believe that we possess a number of competitive strengths over our competitors. Further information on which is set forth in “Business – Our competitive strengths” in this prospectus.

DIRECTORS’ CONFIRMATION

Our Directors, after due and reasonable consideration, are of the view that there has been no adverse change in the market information since the date of the Industry Report which may qualify, contradict or have an impact on the information therein.

MACAU LAWS AND REGULATIONS

Laws and regulations in relation to construction industry

DSSOPT is the relevant regulatory and supervisory authority of construction industry in Macau, providing public services like land leasing, construction project approval, construction work licensing, ruined and badly-maintained building examination, issuance of urban alignment plan, constructor and professional registration, etc, with its functions as set forth in Decree Law no. 29/97/M dated 7 July 1997.

With respect to the construction industry, DSSOPT has its major functions on:

- (a) Issuance of construction license (and relevant completion license with powers to inspect the works);
- (b) Registration of licensed constructor; and
- (c) Registration of RPE.

The relevant legal framework for construction industry is regulated by Decree Law no. 79/85/M dated 21 August 1985 (“**Decree Law no. 79/85/M**”, also known as General Regulation of Urban Construction) and Law no. 1/2015 dated 5 January 2015 (“**Law no. 1/2015**”).

The said Decree Law no. 79/85/M mainly regulates the procedures of construction licensing (including the license of demolishing building) and the registration of licensed constructor. Pursuant to the said Decree Law, the execution of construction works must only be carried out by company constructors or individual constructors that are duly registered with DSSOPT. Works carried out without a construction license shall lead to an administrative fine varying from one thousand Macanese patacas (MOP1,000.00) to twenty thousand Macanese patacas (MOP20,000.00).

For registering as a licensed constructor, it is required to submit an application form as signed by a RPE (whose licensing procedure to be described below), along with the lists of completed works, equipment and employed staffs, for the assessment of DSSOPT. In general, due to the further examination on the issuance of construction license for individual civil works to be undertaken by the constructor and the RPE in its application, DSSOPT does not carry out substantial examination on the provided information and the qualification of the applicant in the construction registration and it is uncommon that the registration of licensed constructor (and its renewal) is denied.

REGULATORY OVERVIEW

Upon the approval from DSSOPT, the licensed constructor is required to pay an annual fee at the amount of six thousand and six hundred Macanese patacas (MOP6,600.00) and its information will be published in the DSSOPT's website.

The validity of the constructor registration lapses at the end of the year that the registration or its renewal is applied no matter which month the related application is submitted. Application of renewing the said registration shall be submitted within January on the next year; otherwise, the registration will be completed cancelled.

Pursuant to article 8 of the Decree Law no. 79/85/M, all the construction plans to be submitted to DSSOPT must be signed by a RPE, as registered under the regulations of Law no. 1/2015.

Pursuant to the Law no. 1/2015, the Commission of Architecture, Engineering and Urbanism ("CAEU") is the public authority responsible for the accreditation of construction technicians before their registration with DSSOPT, by means of verifying the academic qualification of candidates, organising the admission exam and issuing the professional certificates.

For obtaining the professional certificate from CAEU, candidates with relevant degrees in construction subjects must present the relevant documents, participate in a traineeship not less than two years and be approved in an admission exam as organised by CAEU.

Once obtained the respective professional certificate as issued by CAEU, the qualified technicians are still required to be registered with DSSOPT, being a RPE, for the purposes of being allowed to render services in (i) draft of projects; (ii) direction of works; and/or (iii) supervision of works.

The annual fee of a RPE is six thousand and six hundred Macanese patacas (MOP6,600.00) and the validity of the RPE registration lapses at the end of the year that the registration or its renewal is applied no matter which month the related application is submitted. Application of renewing the said registration shall be submitted within November and December of each year; otherwise, the registration will be completed cancelled. Moreover, the RPE must be covered by a valid and effective liability insurance insuring against all the losses arising from rendering of the relevant services.

For the year of 2020, Kento Engineering is licensed to execute construction works in Macau under the constructor enrolment with DSSOPT with registration number 4804/2013, not covering the drafting of projects and the works supervision.

Laws and regulations in relation to labour

The labour legal framework of Macau is regulated by Law no. 7/2008 dated 18 August 2008 ("**Law no. 7/2008**") and the regime of hiring non-resident workers is governed by Law no. 21/2009 dated 27 October 2009 ("**Law no. 21/2009**").

REGULATORY OVERVIEW

Pursuant to article 17 of Law no. 7/2008, employment of a local adult is not subject to written form and can be made by verbal contract. However, under the Macau labour laws, a fixed-term employment is an exceptional regime based on the temporary necessity of the enterprise subject to written contract in which the rationale of temporary necessity must be specified.

Furthermore, the remuneration of employees must be paid by the legal tender of Macau, i.e. the Macanese patacas.

In accordance with Law no. 21/2009, for the purpose to work in Macau, non-residents must obtain a valid work permit issued by the Macau Labour Bureau and register themselves as non-resident employees with the Immigration Department of the Macau Public Security Police Force.

The granting of work permit shall be filed to the Macau Labour Bureau by the employer with the reasons to hire foreign workers, instead of local resident, along with provisions of supporting documents (e.g. vacancy registration with the Macau Labour Bureau, contracts to prove the lack of manpower for the massive works).

Should the work permit be granted, the Macau Labour Bureau will set out the valid period of the work permit (the term of any labour contract pursuant to the work permit must not out of the valid period of the related work permit) and requirements for the validity of the work permit (e.g. determination of work site, undertaking to hire a certain number of local workers). If any of the validity requirements becomes violated, the related work permit may be revoked.

Pursuant to the Law no. 21/2009, foreign workers are categorised into:

(i) skilled workers

- For the exercise of the work with high degree of specialisation, the non-Macau resident shall have the related tertiary degrees or highly qualified technical skills or professional experience;
- The request of work permit for skilled worker is made for particular candidate (non-Macau resident) and the qualification of the candidate (non-Macau resident) is one of the criteria in the assessment to be conducted by the Macau Labour Bureau. As such, the related qualification documents are required to be submitted for the work permit request.

REGULATORY OVERVIEW

(ii) non-skilled workers

- The request of work permit for non-skilled worker is made in no-name basis on a particular candidate (non-Macau resident), for hiring non-designated workers for particular positions. As such, it is not necessary to provide any personal information of the particular candidate (if any) in such request.

(iii) domestic workers.

Moreover, under the same decree law, the registration of being non-resident employees with the Immigration Department of the Macau Public Security Police Force must be filed within six months after the granting of valid work permit. Otherwise, the work permit shall be expired.

The non-resident employees, who are not duly authorised to work in Macau, may face civil and criminal charges, given that pursuant to the immigration rules in Macau, non-resident employees, who are not authorised to work in Macau, are not allowed to perform any kind of professional activity in this jurisdiction.

In particular, under the terms of chapter IV of Law no. 21/2009, without prejudice to other sanctions that may be applicable, the following fines may be imposed:

- A fine ranging from five thousand Macanese patacas (MOP5,000.00) to ten thousand Macanese patacas (MOP10,000.00), to the employee that works in Macau without authorisation;
- A fine ranging from five thousand Macanese patacas (MOP5,000.00) to ten thousand Macanese patacas (MOP10,000.00), to the employee who works to different employer other than the one to which it has been authorised to work for.

Besides, workers who are not performing in accordance with the scope as stated in their work permits shall also be considered as illegal working, which will lead to an administrative fine varying from ten thousand Macanese patacas (MOP10,000.00) to forty thousand Macanese patacas (MOP40,000.00) payable by the employer. The mentioned fine shall not exempt their criminal liability and the possibility of revoking the given work permits by the Macau Labour Bureau.

Further, in accordance with chapter I and V of the Law no. 6/2004 dated 2 August 2004, those who stay in the Macau beyond the authorised staying period are considered to be illegal immigrants and, thus, may be subject to detention and further expulsion from Macau. In addition to the foregoing, such illegal immigrants may be prevented from entering the territory again for a certain period of time, being that if the said person(s) infringe the determined prohibition may face imprisonment up to one year.

REGULATORY OVERVIEW

Pursuant to Decree Law no. 40/95/M dated 14 August 1995, it is mandatory for employer to insure labour insurance against the occupation accidents and diseases of the employees under the consolidated policy as set forth in the Order no. 237/95/M dated 14 August 1995.

Laws and regulations in relation to E&M

In Macau, there is no specific legislation regulating the E&M engineering services works in general but contractors shall comply with the related regulations that the respective work may involve.

Electricity supply	<ul style="list-style-type: none">– Decree Law no. 24/95/M dated 9 June 1995 on Fire Safety– Administrative Regulation no. 26/2004 dated 9 August 2004 on Safety of Substations and Transformation and Sectional Stations– Administrative Regulation no. 11/2005 dated 18 July 2005 on Contributions for Connections to the Electric Power Grid
Air conditioning	<ul style="list-style-type: none">– Decree Law no. 24/95/M dated 9 June 1995 on Fire Safety
Exhaust system	<ul style="list-style-type: none">– Law no. 8/2014 dated 25 August 2014 on Prevention and Control of Environmental Noise
Staircase pressurisation system	<ul style="list-style-type: none">– Decree Law no. 24/95/M dated 9 June 1995 on Fire Safety– Law no. 8/2014 dated 25 August 2014 on Prevention and Control of Environmental Noise

Laws and regulations in relation to environment protection and pollution

The fundamentals of the legal regime of environmental protection law of Macau, which is applicable to every individual and corporate entity, are the Basic Law of Macau, Law no. 2/91/M dated 11 March 1991 (“**Law no. 2/91/M**”), which is also known as the environmental law, and series of international conventions in related fields applicable to Macau.

Article 119 of the Basic Law of Macau states that “The Macau Special Administrative Region shall carry out the protection of environment in accordance with law”. To implement this article together with the Law no. 2/91/M and other applicable international conventions, numbers of environmental legislations in form of law, decree law and administrative regulations have been enacted in various fields such as natural heritage protection, air, sea and sound pollutions, hygiene of environment, chemical goods, etc.

REGULATORY OVERVIEW

As a general rule prescribed in the Law no. 2/91/M, any violation of the environmental legislations will subject to civil liability, administrative fine or criminal punishment depending on different violations and also administrative injunction is possible to be granted to cease environmental infringement.

According to article 8 paragraph 1 of the Law no. 2/91/M, everyone is entitled to air quality suiting basic health and well-being, whether in public spaces, residential areas, workplace and others. Moreover, the paragraph 3 of the said article of the Law no. 2/91/M stipulates that any installation, machine or means of transportation whose activity may affect the air quality must be equipped with a device or other mean that can ensure compliance with legal emission limits under the penalty of being banned.

In what respects water quality, it is forbidden under article 23 paragraph 1 of the Law no. 2/91/M to discharge in marine jurisdictions any substances, liquid or solid residues that may, somehow, pollute the water, beaches, shoreline, as well as flora and fauna, such as oil products or oil containing mixtures, or other chemical substances set in applicable international agreements or conventions.

Furthermore, in Macau, there is a general rule prescribed in General Regulation of Public Place (公共地方總規章), as approved by Administrative Regulation no. 28/2004 dated 16 August 2004, that every work involved solid waste shall be arranged and conducted in order to avoid and reduce to the most extent the risk to public health and environmental damage. Under the said General Regulation of Public Place, drain water or any contaminated fluid or gas must not be released to public place.

Regarding noise pollution, it is restricted by the provisions as set out in Law no. 8/2014 dated 25 August 2014 (“**Law no. 8/2014**”), which is also known as the law for “Prevention and Control of Environmental Noise” (預防和控制環境噪音), and its subordinate rule Chief Executive Dispatch no. 248/2014 dated 1 September 2014 (“**Chief Executive Dispatch no. 248/2014**”), which sets out the applicable acoustic standard in this aspect in order to replace the Decree Law no. 54/94/M dated 14 November 1994 and its subordinate rule Order no. 241/94/M dated 14 November 1994. Under the Law no. 8/2014, as supplemented by its subordinate rule Chief Executive Dispatch no. 248/2014, unless otherwise be considered as exceptional situations and approved by the relevant authority, piling is prohibited during the whole day of Sunday, public holidays and 8:00 p.m. to 8:00 a.m. during weekdays and civil construction works by using movable or fixed mechanical equipment are also prohibited to carry out within 200 meter range from the residential apartments and hospitals during the mentioned time period. In addition, percussive diesel hammer, pneumatic hammer and steam hammer are prohibited to be used in any construction.

Besides, all projects and constructions which may affect the environment or the health of residents must be subject to a preliminary study for environmental impact. Moreover, the Law no. 2/91/M prescribes that violations of the environmental legislation will lead to civil liability, administrative penalties or criminal liability (Article 268 of the Macau Criminal Code prescribes pollution-related crimes), depending on the degree of the violation in question. Furthermore, injunctions may be granted in order to cease environmental infringements.

REGULATORY OVERVIEW

The regulatory authority in charge of environmental protection matters is the Macau Environmental Protection Bureau which has promulgated certain environmental protection guidelines in relation to different kind pollution in connection to construction site, such as renovation, demolition and noise. However, police authorities are also legally entitled to monitor the compliance of regulation.

Laws and regulations in relation to construction safety and hygiene

In Macau, the Decree Law no. 44/91/M dated 19 July 1991 regulates the construction safety and hygiene regulation and the consequences of violating the regulations of construction safety and hygiene is stated in the Decree Law no. 67/92/M dated 14 September 1992.

By the said legislations, a basic statutory requirements for site safety was created covering general prevention, circulation and maintenance of vehicles and mechanical equipment, lifting devices, and also individual and group safety measures applicable to the workers. In particular, a contractor employing 100 workers or more in a construction site per day must appoint a qualified safety officer, who should have completed the related training course with the Macau Labour Bureau, pursuant to article 3 paragraph 2 of the Regulation of Hygiene and Safety of Construction Work, as approved by the said Decree Law no. 44/91/M. The infraction of the mentioned regime will lead to administrative fine and the relevant regulatory body is the Macau Labour Bureau.

Applicable Tax

Industrial Tax

Pursuant to the Regulation of Industrial Tax, as approved by Law No. 15/77/M dated 31 December 1977, all entities who exercise any commercial or industrial activities are subject to the Industrial Tax.

Industrial Tax is charged every year based on the fixed rates of the activities as stated in the General Table of Activities as annexed in the same Regulation of Industrial Tax. However, most of the items subject to Industrial Tax were waived by Macau government in recent years by the budget legislation of each year.

Complementary Income Tax

The Complementary Income Tax shall be considered as profit tax in commercial or industrial activities which charges on the actual profit or estimated profit of the taxpayer pursuant to the article 4 of the Regulation of Complementary Income Tax, as approved by Law no. 21/78/M dated 9 September 1978.

Taxpayers of Complementary Income Tax are classified as either Group A or Group B.

REGULATORY OVERVIEW

Group A taxpayers are those entities (i) with capital not less than one million Macanese patacas (MOP1,000,000.00); or (ii) average taxable profits in three consecutive years of over five hundred thousand Macanese patacas (MOP500,000.00); or (iii) requesting to change to Group A from Group B by declaration. Besides the above, all other taxpayers are under Group B.

For the Group A taxpayer, the Complementary Income Tax is assessed based on its actual profit and each of the Group A taxpayers, along with a licensed accountant/auditor, is required to submit the following documents to the Macau Financial Bureau within April to June each year:

- Income declaration under the given tax form;
- Copy of the meeting minutes approving the accounts;
- Copies of consolidated balance sheet and profit and loss account in accordance with the Official Plan of Accounting;
- Worksheets due to adjustments and the trial balance;
- Depreciation schedule under the given tax form;
- Usage of reserve fund under the given tax form;
- Supporting documents of bad debts; and
- Technical report in relation to inventory value and the criteria of valuation, general administrative costs and other necessary information for determining the taxable profits.

Group B taxpayer is not required to engage a licensed accountant/auditor nor submit the aforementioned mandatory documents that a Group A taxpayer is required to submit for tax reporting. However, a Group B taxpayer is still required to report its profit or deficit within February to March each year. The Macau Financial Bureau shall determine the estimate profit based on the type and performance of the industry that the taxpayer practices and other factors that the same authority thinks relevant, and shall issue the taxpayer an assessment letter in which the estimated profit and the tax amount will be stated on July of the respective year. Should the Group B taxpayer accept the estimate profit and pay the tax amount, the tax duties shall be complied with.

REGULATORY OVERVIEW

Moreover, article 22 of the said Regulation of Complementary Income Tax sets out that for determining the earnings of construction projects whose production cycle or time for construction extends beyond one year, the completed contract method or the pro rata method can be used. As such, for the construction project extending over a year, the earnings can be totally retained on the year that the project is completed by the completed contract method or reflected year by year under the pro rata method, in which the degree of completion is based on the proportion of the incurred expenses of the completed parts to the total estimated cost of the entire project.

Legal proceedings

Companies are generally subject to set-off, lawsuit, judgment, judicial proceedings, execution, attachment and other legal process in Macau and are not entitled to claim immunity or privilege with respect to themselves and any of their assets or properties on the grounds of sovereignty or otherwise in Macau.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

OUR HISTORY

Our Company was incorporated in the Cayman Islands under the Cayman Companies Law as an exempted company with limited liability on 24 October 2017. Since incorporation, our Company has been an investment holding company with no business operation. Pursuant to the Reorganisation, as described in details in “Reorganisation” in this section, our Company became the holding company of our Group for the purpose of the Listing.

OUR BUSINESS DEVELOPMENT

Our Group’s history can be traced back to January 2011, when our founders, Mr. Cheong and Mr. Leong founded Kento Engineering to conduct E&M engineering services business. Mr. Cheong holds a bachelor’s degree in electromechanical engineering, and is a RPE registered with DSSOPT, and is a certified E&M engineering instructor. Mr. Cheong has had more than 19 years of experience in the E&M engineering services industry. Mr. Leong has extensive experience in the E&M engineering services industry, and has more than 29 years of relevant work experience. Please refer to “Directors and senior management” in this prospectus for further details of Mr. Cheong and Mr. Leong’s biography.

Kento Engineering is principally engaged in the provision of comprehensive E&M engineering services works, including the supply and installation of LV systems works, HVAC systems works, and ELV systems works for E&M projects within the public sector, including various Macau government departments, government agencies and public utilities. The majority of our customers were the main contractors of construction projects within the public sector. Having cultivated amicable business relationships directly with main contractors, and through them, indirectly with the project owners by demonstrating the quality, reliability and value of our works in previous projects, we have managed to receive more project invitations directly from project owners, particularly in the private sector, and, in turn, assumed the role of main contractor for projects.

OUR MILESTONES

We set forth below our key business development and milestones:

January 2011	Our operating subsidiary, Kento Engineering, was set up in Macau.
March 2011	We undertook a LV systems works and HVAC systems works project for a civil servant training centre in Macau Peninsula, being our first government project.
June 2012	We were awarded a LV systems works, ELV systems works and HVAC systems works project for a government educational facility in Taipa, Macau.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

August 2013	<p>We were awarded a LV systems works project for an integrated urban casino resort located in Cotai, Macau.</p> <p>Since August 2013 we have been awarded a series of projects involving LV systems works, ELV systems works and/or HVAC systems works for the same casino resort in Cotai, Macau.</p>
October 2014	<p>We were awarded a LV systems works project for an office building located in Taipa, Macau.</p> <p>We were awarded a LV systems works and ELV systems works project for a governmental bureau office.</p>
June 2015	<p>We were awarded a LV systems works, ELV systems works and HVAC systems works project for a governmental bureau office.</p>
December 2016	<p>We were awarded a HVAC systems works project for a new exoskeleton skyscraper luxury hotel in Macau.</p>
November 2017	<p>We were awarded a LV systems works, ELV systems works and HVAC systems works project for the new exoskeleton skyscraper luxury hotel in Macau, being our second project for E&M engineering services works at the same hotel.</p>
June 2018	<p>We were awarded a HVAC systems works project for a public school and educational facilities in Seac Pai Van, Macau.</p>
March 2019	<p>We were awarded a LV systems works project in relation to the replacement of distributed antenna systems for an integrated resort in Cotai.</p>
May 2019	<p>We were awarded an ELV systems works project for an office building of the judicial authority in Macau.</p>
February 2020	<p>We were awarded a LV systems works project for a Chinese mythology inspired luxury hotel in Cotai.</p>

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

CORPORATE DEVELOPMENT

Kento Engineering

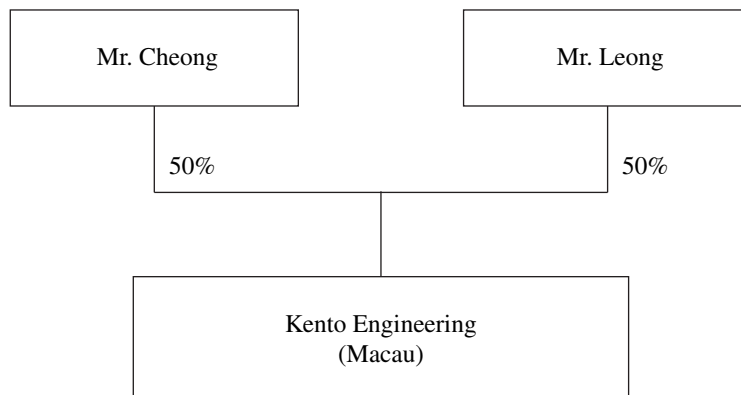
Kento Engineering, our principal operating subsidiary, was incorporated in Macau on 27 January 2011 as a limited liability company with a share capital of MOP60,000. Upon its incorporation, one share quota of MOP30,000 was issued to each of Mr. Cheong and Mr. Leong, respectively, and Kento Engineering became owned as to 50% by Mr. Cheong and 50% by Mr. Leong.

As part of the Reorganisation, Kento Engineering became an indirect wholly-owned subsidiary of our Company pursuant to the Reorganisation. Please refer to “Reorganisation” in this section for further details.

Kento Engineering is principally engaged in the provision of comprehensive E&M engineering services works in Macau, including the supply, installation, testing and commissioning of (i) LV systems works; (ii) HVAC systems works; and (iii) ELV systems works.

REORGANISATION

Our Group underwent the Reorganisation in preparation for the Listing. The following chart sets forth our corporate and shareholding structure immediately before the Reorganisation:



Incorporation of Macau E&M Group and Macau E&M Assets

Macau E&M Group was incorporated in the BVI on 19 October 2017 as a limited liability company and to act as the holding company for the interest of Mr. Cheong in our Company. As at the date of its incorporation, Macau E&M Group was authorised to issue a maximum of 50,000 ordinary shares of a single class with a par value of HK\$1.00 each. Upon its incorporation, 100 shares were allotted and issued to Mr. Cheong. Upon completion of such allotment and issue, Macau E&M Group became wholly-owned by Mr. Cheong.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Macau E&M Assets was incorporated in the BVI on 19 October 2017 as a limited liability company and to act as the holding company for the interest of Mr. Leong in our Company. As at the date of its incorporation, Macau E&M Assets was authorised to issue a maximum of 50,000 ordinary shares of a single class with a par value of HK\$1.00 each. Upon its incorporation, 100 shares were allotted and issued to Mr. Leong. Upon completion of such allotment and issue, Macau E&M Assets became wholly-owned by Mr. Leong.

Incorporation of our Company

Our Company was incorporated in the Cayman Islands on 24 October 2017 as an exempted company with limited liability to act as the holding company of our Group and as the listing vehicle. The initial authorised share capital of our Company was HK\$380,000 divided into 38,000,000 ordinary Shares. Upon its incorporation, one subscriber Share was allotted and issued at par to an initial subscriber, who is an Independent Third Party, and was subsequently transferred to Macau E&M Group on the same day. On the same day, 99 Shares were subscribed by Macau E&M Group at par and 100 Shares were subscribed by Macau E&M Assets at par. Following the above share allotments and transfer, our Company became owned as to 50% by Macau E&M Group and as to 50% by Macau E&M Assets.

Incorporation of Macau E&M Company

Macau E&M Company was incorporated in the BVI as a limited liability company on 30 October 2017 to act as the intermediate holding company of our Group. As at the date of its incorporation, Macau E&M Company was authorised to issue a maximum of 50,000 ordinary shares of a single class with a par value of HK\$1.00 each. Upon its incorporation, one fully paid share was allotted and issued to our Company at par.

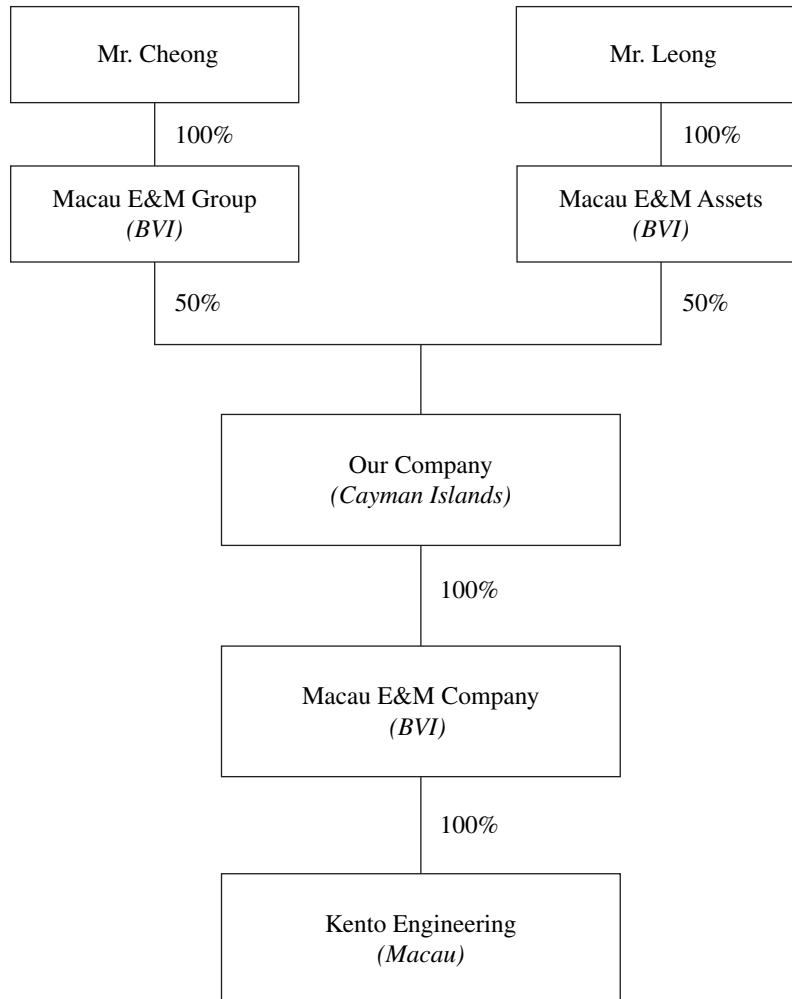
Acquisition of Kento Engineering

On 4 December 2017, Macau E&M Company acquired one share quota of MOP30,000 of Kento Engineering from each of Mr. Cheong and Mr. Leong, representing the entire share capital of Kento Engineering, for an aggregate consideration of MOP60,000, which was based on the then share capital of Kento Engineering. The consideration for the above transfers was settled by our Company allotting and issuing 400 Shares and 400 Shares to Macau E&M Group (as directed by Mr. Cheong) and Macau E&M Assets (as directed by Mr. Leong), respectively, on the same day. Upon completion of such transfers, Kento Engineering became an indirect wholly-owned subsidiary of our Company.

As advised by our Macau Legal Advisers, the above transfers have been properly and legally completed and settled and all necessary approvals from and registrations with the relevant authorities have been obtained and completed.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The following chart sets forth our corporate and shareholding structure immediately after the Reorganisation, but before the completion of the Pre-IPO Investments, the Global Offering and the Capitalisation Issue:



PRE-IPO INVESTMENTS

On 1 March 2018, Macau E&M Assets entered into a sale and purchase agreement with each of One Wesco and Bridge Capital (the “**Pre-IPO Agreements**”), pursuant to which Macau E&M Assets agreed to sell (a) 230 Shares to One Wesco at a consideration of HK\$6,210,000; and (b) 140 Shares to Bridge Capital at a consideration of HK\$3,780,000.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Principal terms of the Pre-IPO Investments

Principal terms of the Pre-IPO Investments are summarised below:

	<u>One Wesco</u>	<u>Bridge Capital</u>
Date of investment:	1 March 2018	1 March 2018
Payment date of consideration:	1 March 2018	1 March 2018
Amount of consideration paid:	HK\$6,210,000	HK\$3,780,000
Basis of determination of consideration:	Based on arm's length negotiations between Macau E&M Assets and each of the Pre-IPO Investors with reference to: (a) the net assets value of our Group of approximately MOP44.5 million as at 31 December 2017 and the dividend of MOP10 million proposed to be declared by our Company to our then Shareholders shortly after 31 December 2017 and before the completion of the Pre-IPO Investments; (b) the investment risks assumed by the Pre-IPO Investors in investing in an unlisted company, including the lack of liquidity and open market for trading in our Shares prior to the completion of the Global Offering and the Listing, the uncertainty as to the timeline of the Listing process and whether the Global Offering will be completed, the lack of any plan to declare further dividend during the period from the completion of the Pre-IPO Investments to the completion of the Global Offering, the absence of any special rights granted to the pre-IPO Investors under the terms of the respective Pre-IPO Agreements (including the absence of divestment rights) coupled with the risk borne by the Pre-IPO Investors as minority Shareholders without any entitlement to appoint any Board members;	

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

- (c) the existing client base of our Group which is Macau-based;
- (d) the business prospects, results of operation and financial condition of our Group; and
- (e) discount percentage to offer price of pre-IPO investments in other companies listed on Main Board and GEM at the time of the Pre-IPO Investments.

Investment cost per Share after Capitalisation Issue and discount to Offer Price^(Note):

Approximately HK\$0.068, representing approximately 93.8% discount to the mid-point of the Offer Price range

As disclosed above, as each of the Pre-IPO Investors decided to invest in our Group in early 2018, Macau E&M Assets and the Pre-IPO Investors had made reference to the net assets value of our Group of approximately MOP44.5 million as at 31 December 2017 and the dividend of MOP10 million proposed to be declared by our Company to our then Shareholders shortly after 31 December 2017 and before the completion of the Pre-IPO Investments and taken into consideration the investment risks assumed by the Pre-IPO Investors in arriving at a valuation of our Group of approximately HK\$27.0 million (the “**Pre-IPO Valuation**”) representing a discount of approximately 19.3% to the net assets value of our Group as at 31 December 2017 (after deducting the dividend to be declared).

Subsequently, after the completion of the Pre-IPO Investments and during the preparation for the listing application, it was determined that the valuation of our Group after the completion of the Global Offering would be in the range of approximately HK\$500 million to HK\$600 million (the “**IPO Valuation**”) and the proposed Offer Price range would be in the range of HK\$1.00 to HK\$1.20 based on a number of factors, mainly including: (i) the price-to-earnings ratio of other comparable listed companies in similar industry upon their listing; (ii) the growth prospect and the financial performance of our Group to the Latest Practicable Date; (iii) the expected prevailing market conditions upon the proposed Listing; and (iv) the expected market sentiment at the time of the Global Offering.

The significant difference between the Pre-IPO Valuation and IPO Valuation was mainly resulted from the different bases used in arriving at the valuations. In particular, the net assets value of our Group of approximately MOP44.5 million as at 31 December 2017 had been used as the basis of the Pre-IPO Valuation, from which the dividend of MOP10 million which was declared and paid by our Company to our then Shareholders, namely Macau E&M Group and Macau E&M Assets, shortly after 31 December 2017 have been deducted. Such dividend of MOP10 million had not been paid to the Pre-IPO Investors. In addition, the parties had also factored in and made reference to (a) the absence of any special right granted to the Pre-IPO Investors under the terms of the respective Pre-IPO Agreements; (b) the discount percentages to the offer prices of several pre-IPO investments (which were in the range of 83% to 99.99%) in companies with a market capitalisation below HK\$900 million which were recently listed on Main Board at the time of the Pre-IPO Investments; and (c) the potential benefits of having Mr. Tam and Mr. Tsang as our Shareholders upon Listing, including (i) leveraging Mr. Tam's business network and connections with various project owners, hotel and resort operators, public utilities and financial institutions in Macau to facilitate our efforts in developing further commercial opportunities with our existing customers and new customers for sizeable projects and obtaining more favourable credit ratings and terms with financial institutions, and (ii) benefiting from Mr. Tsang's insights and experience in monitoring and enhancing our risk management policies and corporate governance measures and ensuring our legal and regulatory compliance and other key areas of concerns relating to our operations. Based on the aforesaid, the parties came to an agreement and arrived at the Pre-IPO Valuation which was significantly lower than the IPO Valuation.

Strategic benefits:

Our Directors are of the view that with the introduction of the Pre-IPO Investors as our Shareholders, the shareholder base of our Company will be strengthened with two experienced investors. Given the work experience of Mr. Tam and his investments in companies having business in Macau, at the time of the Pre-IPO Investments, our Directors believe that our Group may be able to leverage on the business network and connections of Mr. Tam in Macau which can potentially broaden the customer base of our Group and open up opportunities for our Group to be invited to participate in more large-scale construction projects. Nevertheless, as at the Latest Practicable Date, our Group had been able to take up business opportunities from new customers independently by our own efforts through active participation in submitting tenders and quotations and receiving referrals from other contractors which we have built up relationship with when they have no capacity to take up the E&M projects so as to broaden and diversify our customer base and achieve business expansion. Accordingly, our Directors have not sought the assistance or recommendation from Mr. Tam for any business referrals or introduction of new project opportunities. Despite the above, our Directors consider that the business network of Mr. Tam, which included management contacts of various project owners, hotel and resort operators and public utilities in Macau, will facilitate our efforts in developing further commercial opportunities with them, including but not limited to obtaining more invitations from our existing customers and new customers for sizeable projects.

Our Directors further believe that the experience and knowledge of Mr. Tam in the fields of investment, capital markets exercises, corporate management and the expertise of Mr. Tsang in the fields of legal compliance and corporate governance would also be beneficial to our Group as they could provide advice to our Group based on their management experience in listed companies and assist our Directors in formulating our overall corporate strategies, internal control, compliance practices, risk management and corporate governance policies. Mr. Tam and Mr. Tsang had, since the completion of the Pre-IPO Investments, shared with our Directors their insights in the fields of management, corporate governance and outlook of the Macau economy based on their management and investment experience in other listed companies which our Directors considered to be valuable for our overall business development and enhancement also of our corporate governance. In particular, Mr. Tam had shared his views in the outlook of the economy from both Macau and global perspectives which had enabled our Group to be in a more informed position in formulating our business strategies and future business development, which could contribute to better long-term development of our Group. We also benefited from the sharing of Mr. Tsang's experience and insights and were able to improve our internal controls appropriate for our needs and enhance our corporate governance for preparation of the Listing. Mr. Tsang's legal and company secretarial background had also assisted us in developing our Group's compliance culture and formulating the Board's policies upon Listing.

Our Directors consider that we will be able to reap the benefits of having Mr. Tam and Mr. Tsang as our Shareholders upon Listing. Our Directors believe that, with our status as a Hong Kong-listed company upon Listing, coupled with Mr. Tam's business connections with banks and financial institutions in Macau, we will be in a better position to negotiate with such banks and financial institutions in obtaining more favourable credit ratings and terms. Mr. Tam's experience in human resources will help us in improving our human resources management when our operations continue to expand. Furthermore, after the Listing, we will be able to consult and seek the assistance from Mr. Tsang from time to time to provide suggestions in monitoring and enhancing our risk management policies and corporate governance measures and ensuring our legal and regulatory compliance on Listing Rules and SFO related matters. Mr. Tsang will also be able to advise us the key areas of concerns from the legal perspective that will arise from our continuing business growth and the increasing engagements with project owners, contractors and other business partners.

Going forward, our Directors believe that Mr. Tam's and Mr. Tsang's participation in the Pre-IPO Investments is likely to be perceived by our business partners as a vote of confidence and serves as an endorsement from experienced investors in our management team, long-term business prospects and financial strengths and will have a positive effect on our Group's reputation and goodwill in the E&M engineering services industry, thereby increasing our Group's brand exposure, which, coupled with our Group's established customer network and strong and stable relationships with its existing customers, will provide our Group with an advantage to secure future contracts from existing customers as well as open up more opportunities from new customers.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Shareholding in our Company held by the Pre-IPO Investors immediately following completion of the Capitalisation Issue and the Global Offering (without taking into account the Shares to be issued upon exercise of options which may be granted under the Share Option Scheme):	15.5%	9.5%
---	-------	------

Lock-up period:	The Pre-IPO Investors are not subject to any lock-up provision under the Pre-IPO Agreements
-----------------	---

Special rights granted to the Pre-IPO Investors:	No special right was granted to the Pre-IPO Investors under the Pre-IPO Agreements
--	--

Use of proceeds:	As the Pre-IPO Investments were effected by way of sale of the existing Shares by Macau E&M Assets, no proceeds were received by our Company
------------------	--

Public float:	Shares held by One Wesco are not considered as part of the public float as it is our substantial Shareholder upon Listing and therefore is a core connected person of our Company
---------------	---

Shares held by Bridge Capital are considered as part of the public float as (i) it is not a core connected person of our Company upon Listing, (ii) the acquisition of its shareholding interest in our Company was not financed directly or indirectly by any core connected person of our Company; and (iii) it is not accustomed to take instructions from a core connected person in relation to the acquisition, disposal, voting or other disposition of securities of our Company registered in its name or otherwise held by it.

Note: For illustration purposes only. Assuming the mid-point of the indicative Offer Price range of HK\$1.00 and HK\$1.20, on the basis of the enlarged issued share capital of our Company immediately upon completion of the Global Offering (without taking into account the Shares which may be issued upon exercise of options which may be granted under the Share Option Scheme).

Information regarding the Pre-IPO Investors

One Wesco is an investment holding company which specialises in identification and evaluation of the investment opportunities across sectors with growth potential and it is principally engaged in investment in private equities and equity-related securities in companies with potential growth in different sectors. It is wholly-owned by Mr. Tam, who is a non-practising certified public accountant and has more than 20 years of experience in strategic investment and corporate finance matters. Mr. Tam held senior managerial positions at various listed and multinational companies, including having served as a member of senior management of Melco International Development Limited (stock code: 200) which is principally engaged in the leisure and entertainment industry in Macau and overseas as well as investment holding in other businesses. He was an executive director of MelcoLot Limited (now known as Loto Interactive Limited) (stock code: 8198). He also had investments in companies having business in Macau, including as a pre-IPO investor of MECOM Power and Construction Limited (stock code: 1183) which is engaged in the construction service industry in Macau and to which he had provided insights on various matters such as the development of the leisure and entertainment industry in Macau, potential business opportunities that may arise from the said development and experience in handling financial management, internal control and corporate governance matters. As at the Latest Practicable Date, he was a director and the chief executive officer of Black Spade Capital Limited, a private investment company which is wholly-owned by the chairman, chief executive officer, executive director and controlling shareholder (“**Mr. D**”) of the ultimate holding company of Customer D, one of our top five customers during the Track Record Period. As confirmed by Mr. Tam, his investment in our Company is of private and personal nature funded by his own personal funds and his investment was irrelevant to his role in Black Spade Capital Limited or other past and/or present relationship with Mr. D, Customer D or the holding company of Customer D.

Bridge Capital is an investment holding company which focuses on the investments in companies with growth potential and which have potential to become public companies. It is wholly-owned by Mr. Tsang, an Independent Third Party. Mr. Tsang is a non-practising solicitor admitted in Hong Kong and had more than 30 years of experience working in major law firms and listed conglomerates in Hong Kong, handling and overseeing legal, corporate and compliance matters of private and listed companies. Mr. Tsang had acted as director and company secretary for various companies listed on the Stock Exchange and elsewhere. He was a company secretary of Melco International Development Limited (stock code: 200) and a company secretary of Summit Ascent Holdings Limited (stock code: 102). He was also an executive director of MelcoLot Limited (now known as Loto Interactive Limited) (stock code: 8198). As at the Latest Practicable Date, he was a director and chief advisor of Black Spade Capital Limited. As confirmed by Mr. Tsang, his investment in our Company is of private and personal nature funded by his own personal funds and his investment was irrelevant to his role in Black Spade Capital Limited or other past and/or present relationship with Mr. D, Customer D or the holding company of Customer D.

Background of the Pre-IPO Investments

As a pre-IPO investor of the holding company of Customer A, which has around eight years of business relationship with our Group and was one of our top five customers for the years ended 31 December 2017 and 2019 and the two months ended 29 February 2020 and one of our top five subcontractors for the year ended 31 December 2018, Mr. Tam became acquainted with Mr. Leong since his investment in the said holding company in around 2017. Seeing the growth potential and having confidence in the business prospect of our Group based on his work and investment experiences in companies having business in Macau, particularly companies engaged in the construction service industry in Macau, which was driven by the evolvement of the leisure and entertainment industry which Kento Engineering has been a participant of as an E&M engineering services provider, Mr. Tam decided to invest in our Company and around the same time introduced the investment opportunity to Mr. Tsang, a long-time personal and business contact of Mr. Tam, in early 2018. Mr. Tsang, after considering the business and industry outlook of our Group, was also attracted by the growth potential in our Group and the construction service industry in Macau and decided to invest in our Company.

During the course of the preparation of the Listing, Mr. Leong, having observed the listing of MECOM Power and Construction Limited (stock code: 1183) in February 2018 of which Mr. Tam was one of the pre-IPO investors and having regarded the benefits of pre-IPO investment brought about to a private company upon it being listed including the listing status, the enhanced corporate image, the exposure and access to the capital markets and the potential increase in valuation of the company after becoming a public company as compared with a private company, as well as the background and experience of Mr. Tam and Mr. Tsang, was prepared to introduce them as pre-IPO investors to our Company by selling a portion of his shareholding in our Company to them. At the time of the negotiation of the consideration for the Pre-IPO Investments, as no information on the possible offering structure of our Company was available, the consideration was determined after taking into account the benefits to be brought to our Group and the investment risks to be borne by Mr. Tam and Mr. Tsang. After arm's length commercial negotiations, having compared the immediate capital gain from selling to Pre-IPO investors against the initial investment cost and the aggregate investment return on the form of dividend from Kento Engineering, and having considered the potential increase in valuation of the Shares Mr. Leong will hold upon Listing and Mr. Cheong's willingness to bring in two new Shareholders to our Company, Mr. Leong decided to sell the Shares he held through Macau E&M Assets to Mr. Tam and Mr. Tsang at a consideration of HK\$6,210,000 and HK\$3,780,000, respectively. As a result of the Pre-IPO Investments, Mr. Tam and Mr. Tsang became our Shareholders and have since provided our Group with insights on various matters such as the development of the leisure and entertainment industry in Macau, potential business opportunities that may arise from the said development and experience in handling financial management, internal control and corporate governance matters, and at the same time, borne the uncertainties in connection with the Listing process and the associated investment risks as shareholders of an unlisted company.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Subsequently upon discussions among our Shareholders, in view of (i) the fact that Mr. Tam and Mr. Tsang did not receive any dividends from our Group since the completion of the Pre-IPO Investments; and (ii) the insights provided by Mr. Tam and Mr. Tsang in the outlook of the Macau economy based on their management and investment experience in other listed companies for formulating our strategies for our overall business development, it was agreed that Mr. Tam and Mr. Tsang, through One Wesco and Bridge Capital, would be the Selling Shareholders in the Global Offering so as to enable them to realise part of the value of their investments after more than two years since the completion of the Pre-IPO Investments through the Global Offering at a higher IPO Valuation as compared to the Pre-IPO Valuation. As confirmed by the Pre-IPO Investors, they pursue an investment strategy which specialises in identification and evaluation of the investment opportunities across sectors with growth potential. Their investment portfolios primarily include private equities and equity-related securities in companies with potential growth in different sectors. Through identifying and evaluating quality companies to invest in for long-term investments, they focus on the quality of management, the financial conditions, the long-term growth prospects of the company and the market valuation accorded to the business and industry in order to achieve long-term capital growth for their investments. They generally intend to hold their investments for long term but may realise part of their investments either through initial public offerings or in the available open market of their investee companies so as to achieve break even or gain for their investment portfolios, and disposal of partial investment while retaining part of their interests in the investee companies (instead of disposing of all the investment and interests in the investee companies at the same time in the future) is a normal investment practice of securities investors. Thus, the arrangement under which they will sell certain of their shareholding under the Global Offering gives them an opportunity to make a profit through realising part of their investments in our Company and while, at the same time, they can still retain the majority portion of their shareholding in our Company and focus on the long-term capital growth of our Company upon Listing, which is in line with their investment strategies and objectives. Our Directors believe that, despite being Selling Shareholders, in view of the satisfactory financial performance and the growth potential of our Group, Mr. Tam and Mr. Tsang have demonstrated their confidence in the operation and development of our Group by retaining a significant and major proportion of their shareholding in our Company after the Listing with an intention to benefit from the future business growth in our Group and achieve long-term capital growth for their investments in line with their investment strategies and objectives. After the completion of the Pre-IPO Investments, Mr. Cheong and Mr. Leong remained our Controlling Shareholders and will be subject to the lock-up requirements pursuant to the Listing Rules. In addition, to the best of our Directors' knowledge, Mr. Cheong and Mr. Leong have no intention to exit our Group in the near future after the expiry of the lock-up period.

To the best knowledge, information and belief of our Directors, other than their respective investments in our Company, Bridge Capital and Mr. Tsang, its ultimate beneficial owner are independent from our Company and our connected persons. One Wesco and Mr. Tam, who were Independent Third Parties before the Pre-IPO Investments, will be the substantial shareholders of our Company upon the Listing and therefore are connected persons of our Company. Each of our Controlling Shareholders and the Pre-IPO Investors has confirmed that apart from the Pre-IPO Agreements, there were no other agreements, arrangements, understanding or undertakings between our Controlling Shareholders and the Pre-IPO Investors as at the Latest Practicable Date.

Relationship between Customer D, Mr. D and the Pre-IPO Investors

Customer D represents five entities belonging to the same group (including Customer D1, Customer D2 and Customer D3 as identified in “Notes to the historical financial information – 6. Revenue and segment information – (v) Information about major customers” in Appendix I to this prospectus) and is one of our major customers. It is a developer, owner and operator of integrated entertainment resort facilities in Asia and its shares are listed on the Nasdaq Stock Market with a market capitalisation of over US\$9.1 billion as at the Latest Practicable Date. Customer D is a member of a group of companies held by a company (“**Holding Company D**”) listed on the Stock Exchange with a market capitalisation of over HK\$26.4 billion as at the Latest Practicable Date. The group of companies held by Holding Company D has, currently or in the past, been engaged in casino, hospitality and catering businesses across Asia and in Hong Kong. During the Track Record Period, Customer D was one of our top five customers and our revenue derived from Customer D amounted to approximately MOP7.8 million, MOP63.7 million, MOP72.6 million and MOP41.7 million, respectively, which accounted for approximately 4.8%, 29.2%, 30.5% and 85.9% of our total revenue, respectively. Save for (i) Customer D1 which contributed approximately MOP60.1 million, MOP53.2 million and MOP16.8 million to our Group’s total revenue for the years ended 31 December 2018 and 2019 and the two months ended 29 February 2020, respectively; (ii) Customer D2 which contributed approximately MOP18.8 million to our Group’s total revenue for the two months ended 29 February 2020; and (iii) Customer D3 which contributed approximately MOP5.5 million to our Group’s total revenue for the two months ended 29 February 2020, none of the five entities under Customer D contributed to over 10% of our Group’s total revenue for each of the years/periods during the Track Record Period. Please refer to “Business – Customers – Major customers” in this prospectus for details.

As confirmed by Mr. Tam and Mr. Tsang, they had in the past served as members of the senior management of Holding Company D. Mr. Tam joined Holding Company D in October 2006 as group finance director and was additionally appointed as head of human resources and administration in July 2010. He was principally in charge of implementing treasury and financial strategies, human resources and administrative functions of Holding Company D. He resigned from each of these positions in December 2017 to devote his time to act as a director and the chief executive officer of Black Spade Capital Limited, a private investment company established by Mr. D, who is the chairman, chief executive officer, executive director and controlling shareholder of Holding Company D. Mr. Tsang served at Holding Company D from November 2001 to December 2017. He first joined as its group legal counsel (a position which he held until October 2015) and was additionally appointed as company secretary in February 2002 (a position which he held until December 2015) and chief legal advisor in November 2015. He was principally responsible for overseeing the legal, corporate and compliance matters of Holding Company D, particularly its company secretarial and listing compliance related matters. His last position in Holding Company D was chief legal advisor and he resigned in December 2017 to dedicate more time to pursue his investment interests. At or around the end of 2017, Mr. Tsang was invited by Mr. D to act as a director and the chief advisor of Black Spade Capital Limited to provide insights on legal affairs and corporate matters. Each of Mr. Tam and Mr. Tsang has confirmed that he has, from time to time as part

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

of his own personal investments, invested with his own funds in companies which Mr. D was also interested in. Based on available public information, Mr. Tam and Mr. Tsang are/had been shareholders, directors, senior management or employees of a number of public companies or prospective public companies in Hong Kong, the U.S. and Canada in which Mr. D is/was interested in.

Our Group first became acquainted with the project management team of Customer D during the course of the execution of an E&M project located at Cotai, Macau and initiated by Customer D in 2013, in which we were engaged by ACEL, one of our major customers during the Track Record Period, to perform works as a subcontractor. Subsequently, from 2013 to 2016, we further undertook 10 E&M projects in the capacity of a subcontractor of projects owned by Customer D. In early 2017, due to our past performance in projects of Customer D, we were invited by the project management team of Customer D to apply for entry to the list of approved contractors maintained by Customer D. We subsequently passed the qualification assessments for such application and have been able to receive direct tender/quotation invitations from Customer D from time to time to participate in its projects. Our Directors believe that our qualification as one of Customer D's approved contractors is a recognition to our past performance in the projects of Customer D and our technical expertise and reputation in the Macau E&M engineering services industry, which occurred prior to Mr. Tam becoming acquainted with Mr. Leong and the Pre-IPO Investments and thus was irrelevant to each of Mr. Tam and Mr. Tsang's past senior management roles at Holding Company D.

As both Customer D and Holding Company D are listed companies, they are required to comply with the relevant listing rules and regulations in the United States and Hong Kong respectively. Each of them is required to establish and maintain appropriate and effective system in place to ensure compliance with the Listing Rules and/or the relevant securities rules and regulations, in particular, its operational and management independence. To the best of the knowledge of our Directors, Customer D has its own management, finance, legal, operations, procurement and project team to handle its day-to-day operations, which are independent from the operations of Holding Company D, and is able to carry on and operate its business independently from Holding Company D. Internally, Customer D has separate departments which are responsible for management of its own hotel development projects and supply chain management. It has also implemented stringent measures in relation to the tender invitation, assessment and awarding process. To the best of the knowledge of our Directors, Customer D's invitations for tenders/quotations are made by Customer D to multiple approved contractors, and contract award decisions are strictly and solely based on merits, taking into consideration various criteria including the bidding prices, technical requirements, scope of work, qualifications, expertise and past performance of the contractors, and does not involve the review of its shareholding information or personal connections of its directors, senior management, controlling shareholders or any of their associates (including but not limited to those on the Customer D/Holding Company D level) to ensure all suppliers and contractors of Customer D are properly selected based on merits, free from any personal influence of its directors, senior management, controlling shareholders or any of their associates (including but not limited to those on the Customer D/Holding Company D level). In light of (a) the independent management and operations and the internal control measures of Customer D, and

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

(b) based on available public information and as confirmed by Mr. Tam and Mr. Tsang that their past roles in Holding Company D (which were finance, human resources, administrative and legal in nature respectively, among others) were not related to the project management or contractor selection of Customer D, our Directors are of the view that Mr. D, despite his controlling shareholding in Holding Company D, could not have exerted influence over the contractor selection decisions of Customer D, and that each of Mr. Tam and Mr. Tsang had not been involved or were not able to exert any influence in any business dealings between our Group and Customer D, including our qualification as one of Customer D's approved contractors and its tender/quotation invitations, assessment or awards.

Notwithstanding the relationships between each of the Pre-IPO Investors, Mr. D and Customer D as disclosed above and that the Pre-IPO Investors will collectively hold approximately 24.99% of the total number of issued Shares immediately following completion of the Capitalisation Issue and the Global Offering (without taking into account the Shares to be issued upon exercise of options which may be granted under the Share Option Scheme), each of Mr. Tam and Mr. Tsang is not and has not been engaged in our Group's day-to-day management and decision-making process. Taking into account that (i) our Group first became acquainted with the project management team of Customer D in 2013 during the course of execution of an E&M project of which Customer D was the project owner, before the Pre-IPO Investors became acquainted with our Group; (ii) we had further undertaken 10 E&M projects as a subcontractor of which Customer D was the project owner from 2013 to 2016; (iii) we have passed the qualification assessments for qualifying to become one of Customer D's approved contractors in early 2017 prior to the Pre-IPO Investments and were able to receive direct tender/quotation invitations from Customer D from time to time to participate in its projects; (iv) Customer D is a company listed on the Nasdaq Stock Market and Holding Company D is a company listed on the Main Board of the Stock Exchange, both of which are required to establish and maintain appropriate and effective internal control systems in respect of their business operations in accordance with the Listing Rules and/or the relevant securities rules and regulations; and (v) each of Mr. Tam and Mr. Tsang was no longer a member of the senior management of Holding Company D at the time of the Pre-IPO Investments and as at the Latest Practicable Date, our Directors are of the view that the relationships between (1) each of Mr. Tam and Mr. Tsang; and (2) Customer D, Holding Company D and Mr. D have had no bearing on the commercial dealings between our Group and Customer D. The transactions between our Group and Customer D have been conducted in the ordinary course of business on normal commercial terms, which in the views of our Directors, are fair and reasonable and comparable to those terms as offered by our other customers. Please refer to "Customers – Concentration of customers – Business with Customer D during the Track Record Period" in this section for details of our business relationship with Customer D.

As confirmed by the Pre-IPO Investors, there are no agreements, arrangements, understanding or undertaking (whether verbal or in writing) between each of Mr. Tam, Mr. Tsang and Mr. D in relation to the Pre-IPO Investments or the management or shareholding in our Group.

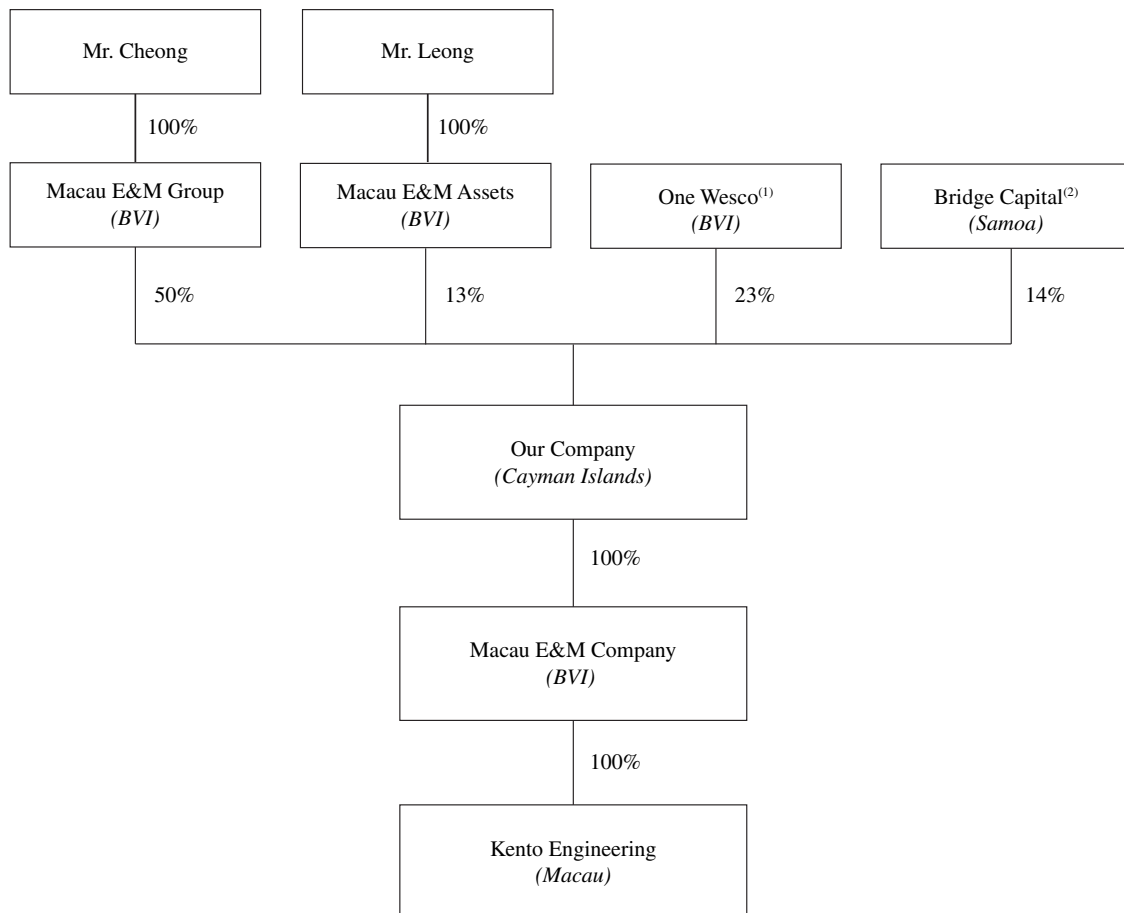
HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Confirmation from the Sole Sponsor

The Sole Sponsor has confirmed that the investments by the Pre-IPO Investors are in compliance with (i) the “Interim Guidance on Pre-IPO Investments” issued on 13 October 2010 by the Stock Exchange as the consideration for the Pre-IPO investments was all settled more than 28 clear days before the date of our first submission of the listing application to the Stock Exchange in relation to the Listing, (ii) the Guidance Letter HKEx-GL43-12 issued in October 2012 and updated in July 2013 and March 2017 by the Stock Exchange and the Guidance Letter HKEx-GL44-12 issued in October 2012 and updated in March 2017 by the Stock Exchange as no special rights is granted to each of the Pre-IPO Investors.

CORPORATE STRUCTURE IMMEDIATELY AFTER THE COMPLETION OF THE REORGANIZATION AND THE PRE-IPO INVESTMENTS

The following chart sets forth our corporate and shareholding structure immediately after the Reorganisation and the Pre-IPO Investments, but before the completion of the Global Offering and the Capitalisation Issue:



Notes:

- (1) One Wesco is beneficially and wholly owned by Mr. Tam.
- (2) Bridge Capital is beneficially and wholly owned by Mr. Tsang.

CONCERT PARTIES CONFIRMATION

On 13 April 2018, in preparation of the Listing, Mr. Cheong and Mr. Leong executed the Concert Parties Confirmation, pursuant to which Mr. Cheong and Mr. Leong acknowledged and confirmed, among other things, that they, as parties acting in concert, have held their interests in, and collectively exercised their control over, the companies comprising our Group through their respective interests in those companies from time to time since they have become the shareholders of the respective companies comprising our Group.

INCREASE IN AUTHORISED SHARE CAPITAL

On 21 August 2020, our Company increased its authorised share capital to HK\$20,000,000 through the creation of 1,962,000,000 additional Shares.

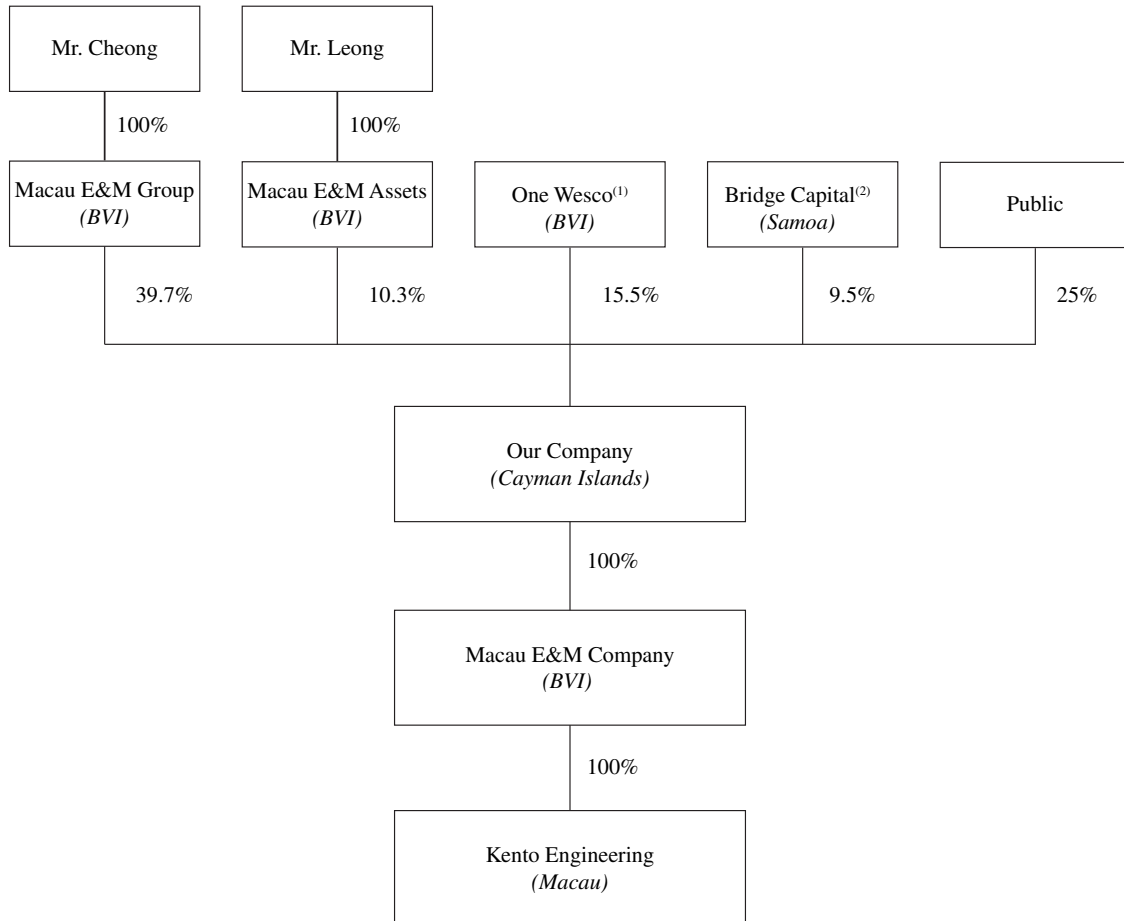
CAPITALISATION ISSUE

Conditional upon the crediting of our Company's share premium account as a result of the issue of the Offer Shares pursuant to the Global Offering, our Directors are authorised to capitalise an amount of HK\$3,968,990 standing to the credit of the share premium account of our Company by applying such sum towards the paying up in full at par a total of 396,899,000 Shares for allotment and issue to persons whose names appear on the register of members of our Company as at 21 August 2020 on a *pro rata* basis.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

CORPORATE STRUCTURE IMMEDIATELY AFTER THE COMPLETION OF THE CAPITALISATION ISSUE AND THE GLOBAL OFFERING

The following chart sets forth our corporate and shareholding structure upon completion of the Global Offering and the Capitalisation Issue (taking no account of any Shares to be issued upon the exercise of any options that may be granted under the Share Option Scheme):



Notes:

- (1) One Wesco is beneficially and wholly owned by Mr. Tam and will be the substantial shareholder of our Company upon the Listing. Shares held by One Wesco are not considered as part of the public float.
- (2) Bridge Capital is beneficially and wholly owned by Mr. Tsang, an Independent Third Party. Shares held by Bridge Capital are considered as part of the public float.

BUSINESS

OVERVIEW

We are an E&M engineering services works contractor in Macau. According to the Industry Report, we ranked fifth among the E&M engineering services works contractors in Macau in 2019, with a market share of approximately 1.9% in terms of revenue in the Macau E&M engineering services industry in 2019. We are an integrated E&M engineering services works contractor registered with DSSOPT and, with our experienced engineering team, skilled workers and/or subcontractors, provide a comprehensive mix of E&M engineering services works based on the contractual needs of our customers in Macau, which generally involve a combination of the supply and/or installation of (i) LV systems works; (ii) HVAC systems works; and (iii) ELV systems works, and the relevant testing and commissioning thereof as well as management and monitoring of quality and delivery of our E&M engineering services works. We also provide maintenance and repair services to our customers. During the Track Record Period and up to the Latest Practicable Date, we secured our E&M projects through tender or quotation process and all of our revenue was generated in Macau.

Our business began in 2011 focusing initially on public sector E&M engineering services works projects. Leveraging on our experience and expertise in our public sector projects, we gradually expanded into the private sector, participating in E&M projects for integrated entertainment resorts in Macau that are generally more complex and lucrative. Our public sector projects refer to our project works in relation to buildings and/or premises of the Macau government or other government agencies, education institutions or utilities in Macau, while our private sector projects refer to those project works commissioned by privately-owned hotel and integrated entertainment resort owners or operators and other commercial enterprises.

The following table sets forth a breakdown of our revenue attributable to our projects from private and public sectors for the periods indicated:

	Year ended 31 December						Two months ended 28/29 February			
	2017		2018		2019		2019		2020	
	MOP'000	%	MOP'000	%	MOP'000	%	MOP'000	%	MOP'000	%
	<i>(unaudited)</i>									
Private sector	118,649	73.8	174,566	80.0	140,373	59.1	32,352	71.9	42,435	87.5
Public sector	42,103	26.2	43,688	20.0	97,307	40.9	12,615	28.1	6,078	12.5
Total	<u>160,752</u>	<u>100.0</u>	<u>218,254</u>	<u>100.0</u>	<u>237,680</u>	<u>100.0</u>	<u>44,967</u>	<u>100.0</u>	<u>48,513</u>	<u>100.0</u>

BUSINESS

During the Track Record Period and up to the Latest Practicable Date, we were either engaged as a main contractor or a subcontractor. As a subcontractor, we are responsible for carrying out works delegated and arranged in accordance with the relevant contracts. As a main contractor, we are responsible for the overall management, coordination and implementation of the project. Having cultivated amicable business relationships directly with main contractors, and through them, indirectly with the project owners by demonstrating the quality, reliability and value of our works in previous projects, we have managed to receive an increasing number of project invitations directly from project owners, particularly in the private sector and, in turn, assumed the role of main contractor for more projects in the private sector. During the Track Record Period, we had 15, 54, 51 and 21 main contractor contracts that contributed approximately 5.0%, 40.6%, 34.5% and 87.5% of our total revenue respectively. As such, our Directors believe that along with the accumulation of business connections and goodwill, our chance of assuming the role of main contractor shall increase in the future.

The following table sets forth a breakdown of our revenue with reference to our role in our projects for the periods indicated:

	Year ended 31 December						Two months ended 28/29 February			
	2017		2018		2019		2019		2020	
	MOP'000	%	MOP'000	%	MOP'000	%	MOP'000	%	MOP'000	%
	<i>(unaudited)</i>									
Subcontractor	152,672	95.0	129,669	59.4	155,646	65.5	42,446	94.4	6,078	12.5
Main contractor	8,080	5.0	88,585	40.6	82,034	34.5	2,521	5.6	42,435	87.5
Total	<u>160,752</u>	<u>100.0</u>	<u>218,254</u>	<u>100.0</u>	<u>237,680</u>	<u>100.0</u>	<u>44,967</u>	<u>100.0</u>	<u>48,513</u>	<u>100.0</u>

The following table sets forth a breakdown of our gross profit and gross margin by reference to our role in the projects for the periods indicated:

	Year ended 31 December						Two months ended 28/29 February			
	2017		2018		2019		2019		2020	
	Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin
	MOP'000	%	MOP'000	%	MOP'000	%	MOP'000	%	MOP'000	%
	<i>(unaudited)</i>									
Subcontractor	40,706	26.7	27,189	21.0	36,454	23.4	10,706	25.2	1,279	21.0
Main contractor	<u>2,599</u>	<u>32.2</u>	<u>22,889</u>	<u>25.8</u>	<u>16,643</u>	<u>20.3</u>	<u>540</u>	<u>21.4</u>	<u>10,622</u>	<u>25.0</u>
Total/Overall	<u>43,305</u>	<u>26.9</u>	<u>50,078</u>	<u>22.9</u>	<u>53,097</u>	<u>22.3</u>	<u>11,246</u>	<u>25.0</u>	<u>11,901</u>	<u>24.5</u>

BUSINESS

Our financial results may fluctuate in each financial year due to the fact that (i) our business is project-based; (ii) our revenue is recognised with reference to the respective stages of completion of our projects; and (iii) our mix of E&M engineering services works rendered may vary from time to time, which in turn affects our overall profitability due to the different operation models and cost structure for each business stream.

The following table sets forth a breakdown of our revenue attributable to each of our business streams for the periods indicated:

	Year ended 31 December						Two months ended 28/29 February			
	2017		2018		2019		2019		2020	
	MOP'000	%	MOP'000	%	MOP'000	%	MOP'000	%	MOP'000	%
							<i>(unaudited)</i>			
E&M engineering services works	159,178	99.0	216,160	99.0	232,755	97.9	44,542	99.1	48,057	99.1
– LV systems works	46,830	29.1	80,194	36.7	91,492	38.5	11,992	26.7	35,121	72.4
– HVAC systems works	88,286	54.9	95,171	43.6	92,091	38.7	26,736	59.5	4,371	9.0
– ELV systems works	24,062	15.0	40,795	18.7	49,172	20.7	5,814	12.9	8,565	17.7
Maintenance and repair services	1,574	1.0	2,094	1.0	4,925	2.1	425	0.9	456	0.9
Total	160,752	100.0	218,254	100.0	237,680	100.0	44,967	100.0	48,513	100.0

As at 30 June 2020, we had 63 projects on hand and the amount of revenue expected to be recognised from these projects will be approximately MOP289.5 million, MOP83.4 million and MOP15.9 million for the 10 months ending 31 December 2020, the year ending 31 December 2021 and the year ending 31 December 2022, respectively. In addition, we had 42 Tendered Projects with an estimate of aggregate contract value of approximately MOP380.5 million.

OUR COMPETITIVE STRENGTHS

We believe that our continued success and future prospects are primarily driven by a combination of the following competitive strengths which distinguish us from our competitors:

We are an integrated E&M engineering services works contractor in the public and private sectors in Macau with an established track record

We are an E&M engineering services works contractor in Macau. According to the Industry Report, we ranked fifth among the E&M engineering services works contractors in Macau in 2019, with a market share of approximately 1.9% in terms of revenue in the Macau

E&M engineering services industry in 2019. We have been registered with DSSOPT as a licensed contractor to provide comprehensive E&M engineering services works in Macau, and to carry out E&M engineering services works for various government departments and other public works. During the Track Record Period, our revenue derived from our public sector projects amounted to approximately MOP42.1 million, MOP43.7 million, MOP97.3 million and MOP6.1 million, respectively, accounting for approximately 26.2%, 20.0%, 40.9% and 12.5% of our total revenue, respectively. We believe that our projects undertaken for the Macau government or other public bodies in Macau are a testament to the quality, reliability and value of our services, which has helped to build and consolidate our reputation and goodwill in the Macau construction industry as an E&M engineering services works contractor with a strong track record in performing public works.

Leveraging on our reputation and goodwill in the public sector, our services had expanded to the private sector for world class hotels and integrated entertainment resorts. We believe that customers and owners of projects of these nature generally have higher and exacting standards, with specific requirements on the appearances of their buildings and outcomes of their construction works, in order to project their brand images of grandeur and opulence. They therefore generally require their contractors to be of a certain calibre in order to meet their high standards and requirements. Our Directors believe, in order to meet the high standard of quality requirements and time constraints that may be imposed by project owners, additional resources as compared to similar public sector projects may have to be deployed, increasing our costs estimates and in turn the overall contract sum. During the Track Record Period, our revenue derived from our E&M engineering services works attributable to private sector projects amounted to approximately MOP118.6 million, MOP174.6 million, MOP140.4 million and MOP42.4 million, respectively, accounting for approximately 73.8%, 80.0%, 59.1% and 87.5% of our total revenue, respectively.

We had 63 projects on hand as at 30 June 2020. Based on (i) our revenue recognised of approximately MOP48.5 million for the two months ended 29 February 2020; and (ii) our revenue expected to be recognised of approximately MOP289.5 million for the 10 months ending 31 December 2020 from our projects on hand as at 30 June 2020, the revenue expected to be recognised from the aforesaid will be approximately MOP338.0 million for the year ending 31 December 2020. This represents an expected growth of approximately 42.2% compared to our revenue recognised in 2019, which is contrary to the expected industry decline in the value of construction works done in Macau of approximately 14.6% during the same year according to the Industry Report. Taking into account our established track record in both the public and private sectors in the E&M engineering services industry in Macau and with reference to our historical business growth in terms of revenue, our Directors believe that we will be able to outperform the industry in the coming years and to further strengthen our market position by capturing the up-and-coming business opportunities.

According to the Industry Report, the Macau government has announced various large-scale construction projects, including certain land reclamation and urban development projects. Such projects initiated and implemented by the Macau government are expected to bring a significant increase in activities to the construction industry in the public sector in Macau in the coming years. At the same time, a number of well-known integrated

entertainment resorts within the private sector in Macau are expanding, renovating and/or revamping their premises. Our Directors believe that in light of our established track record in both public and private sectors, we are well-positioned to capture the opportunities brought about by the growing market and to achieve further revenue growth.

We are capable of providing integrated and comprehensive E&M engineering services solution to our customers

Our comprehensive E&M engineering services include the supply, installation, testing and commissioning of system works across various key aspects of the E&M engineering services works spectrum such as (i) LV systems works; (ii) HVAC systems works; and (iii) ELV systems works. We also have the technical know-how to carry out maintenance and repair services for our customers.

Our Directors consider that our multi-dimensional E&M capabilities broaden the scope of project opportunities that we can tender for, which strengthen our income stream. Since our inception in 2011, we have expanded from the provision of different types of E&M engineering services works in the public sector, to gradually involve in the more lucrative private sector first as a subcontractor and later as a main contractor.

We believe that our integrated and comprehensive E&M engineering services solution allow our customers to exert efficient control on costs, time and resources, saving them from having to engage different contractors to complete the various works required by any given project.

We have established strong and stable relationships with our customers as well as subcontractors and suppliers

We are an established E&M engineering services works contractor in Macau. We believe that as a result of our high qualities, diversified and comprehensive capabilities and market reputation, we have established strong and stable business relationships with a number of major customers that are main contractors as well as project owners, ranging from two to eight years. We believe that such strong and stable relationships with our customers are an affirmation of our customers' satisfaction and of the high quality and reliability of our E&M engineering services works and such established relationships with some of our key customers have enabled us to secure projects in the private sector, participating in projects for integrated entertainment resorts in Macau during the Track Record Period. Furthermore, having cultivated amicable business relationships directly with main contractors, and through them, indirectly with the project owners by demonstrating the quality, reliability and value of our works in previous projects, we managed to assume the role of main contractor.

As part of our integrated and comprehensive E&M engineering services solution, we have also provided maintenance and repair services to our customers. Our Directors believe that such services allow us to establish and reinforce a stable customer base by maintaining a constant flow of communications. We further believe that our established customer network and strong and stable relationships with our customers provide us with an advantage to secure future contracts from existing customers, as well as more opportunities from new customers through the referral of our existing customers or who have come to know us by word-of-mouth recommendation.

In addition, we maintain a list of approved suppliers and subcontractors and have established good and long term relationships with these suppliers and subcontractors. We believe that such good relationships with suppliers and subcontractors enable us to secure stable, reliable and timely supply of equipment, materials and labour which reduce the risk of any material disruption to our business operations due to any shortage or delay of such resources. Our Directors consider that reliable suppliers and subcontractors is one of the key success factors contributing to our ability to deliver timely and quality works and/or services to our customers.

We have an experienced engineering team supported by a stable pool of skilled workers

As at Latest Practicable Date, our core operations team comprised 10 E&M engineers, four of whom were RPEs of Macau and three out of our four RPEs were certified instructors.

According to the relevant construction regulations of Macau, only RPEs are eligible to undertake project formulation, direction, and supervision, as well as approve and sign-off certain types of works and projects. Our Directors consider that it is imperative for a contractor in the Macau construction industry to have its own RPEs in order to be a competitive player. The Macau government introduced a stringent and complex registration regime in 2015, where newly qualified engineers have to apply for registration as RPEs. In order to become a RPE, the new regime requires applicants to possess the relevant qualifications, and to participate in a traineeship under the mentorship of a certified instructor of not less than two years and to be approved in an admission examination as organised by CAEU. Under the current regime, each certified instructor is able to mentor three applicants at a time.

Our certified instructors give us the capacity to foster and nurture new generations of prospective RPE applicants, by providing them with practical on-the-job training experience, which is an essential requirement for any engineering applicant looking to qualify as a RPE. Our Directors believe in turn, this will provide us with a growing pool of loyal and skilled qualified professional engineers. During the Track Record Period and up to the Latest Practicable Date, four engineers were trained under the supervision of our certified instructors with a view to becoming prospective RPEs.

Each of our RPEs has extensive industry experience of more than six years and technical knowledge in different E&M engineering services works, and possesses the relevant professional qualifications and registration as required under the applicable laws, rules and regulations. We believe that our team of experienced engineers is crucial to the effective and efficient running of our day-to-day operations as well as the diligent supervision and monitoring of our workers and subcontractors at our project sites to ensure the quality and reliability of our works.

While there is a constant shortage of labour in the construction industry in Macau according to the Industry Report, we had a relatively stable pool of 71 employees in total, comprising 43 local employees and 28 foreign workers, all of whom were directly hired by us as at 31 December 2019. We believe that having a stable pool of workers is the key to success in obtaining projects as well as providing us with the flexibility to take up construction works by deploying and utilising our own workers instead of engaging subcontractors, so as to enjoy higher profitability by reducing relevant subcontracting costs. We also believe that having our own stable pool of skilled workers provide us with a dependable work force, which in turn provides greater assurance in project delivery and completion time to our customers and the fixed labour cost enables us to minimise the cost escalation that may be associated with subcontracted labour.

We have an experienced and dedicated management team with professional qualifications and substantial industry experience and expertise

Our Group is led by a team of experienced and dedicated management personnel, which collectively possesses an in-depth knowledge and experience of the E&M engineering services industry in Macau. Most of the members of our management team have been with our Group for over five years. Our senior management team is headed by our founder, chief executive officer and executive Director, Mr. Cheong, who has approximately 19 years of relevant experience in the E&M engineering services industry in Macau. Mr. Cheong, our executive Director, is a RPE and a certified instructor. Mr. Cheong is responsible for the overall management and day-to-day operations of our Group and leading our Group and senior management. Mr. Leong, our executive Director, has over 29 years of experience in the electrical engineering and maintenance industry, and is responsible for the strategic planning of our Group. The other members of our senior management team are also experienced in the various critical aspects of our operations, including engineering and project management. We believe that under our management's strong and visionary leadership, our Group's revenue and market share will continue to grow and our business shall continue to flourish. Please refer to "Directors and senior management" in this prospectus for further details.

OUR BUSINESS STRATEGIES

According to the Industry Report, the Macau government has announced that it will expedite its plan to develop and position Macau as a world centre of tourism and leisure. The Macau government has pledged to further promote the construction of large-scale infrastructure and to implement various urban development initiatives, including but not limited to speeding up the development of new urban zones, which involves the design and construction projects of Zones A and E1, the design of the administration and justice zone in Zone B, as well as the reclamation work for Zones C and D. The development of Zone A will provide 28,000 public housing units and be realised in four phases.

At the same time, while construction works in the public sector are expected to witness steady growth in the coming years, several world-class hotels and integrated entertainment resorts in Macau have announced their pipeline projects and plan to expand, renovate and/or revamp their premises in Macau within the next few years, including but not limited to the building of phases three and four of an integrated entertainment resort, which will feature gaming, spaces for conventions and exhibitions, as well as venues for entertainment, with an aggregate investment of not less than MOP50.0 billion.

According to Frost & Sullivan, it is estimated that approximately 15% of the total investment in upcoming construction projects in Macau, including both public and private sectors, will be attributable to E&M engineering services. In anticipation of the wave of new construction activities in both public and private sectors in Macau in the near future, we expect there will be an optimistic growth in the demand for E&M engineering services works, as well as a growing demand for maintenance and repair services. Please refer to “Industry overview” in this prospectus for further particulars on the major projects in the pipelines in the public and private sectors in the Macau E&M engineering services industry.

Over the years, we had provided E&M engineering services works to entities in both public and private sectors in Macau, spanning from key government buildings and departments to world-class hotels and integrated entertainment resorts, including the world’s first free-form exoskeleton skyscraper luxury hotel. According to the Industry Report, we ranked fifth among the E&M engineering services works contractors in Macau in 2019, with a market share of approximately 1.9% in terms of revenue in the Macau E&M engineering services industry in 2019. Leveraging on our established reputation and proven track record in both public and private sectors, we believe we are well positioned to capture the up and coming opportunities in the E&M engineering services industry and to undertake more large-scale construction projects in the coming years. Being an established industry player in Macau, we aim to strengthen and consolidate our position and to capture a larger market share of the E&M engineering services industry in both public and private sectors by pursuing the following strategies: (i) strengthening our financial position to further develop our capacity as a main contractor and/or to participate in more large-scale construction projects; (ii) expanding our workforce by recruiting additional skilled professionals and labour; and (iii) acquiring construction machineries and equipment to facilitate our business expansion plans.

We plan to strengthen our financial position to further develop our capability as main contractor and/or to participate in more large-scale construction projects

Our Group has carved our niche in the Macau construction market as an integrated E&M engineering services works contractor. Our Directors believe that, over the years, we have built strong customer networks and maintained robust and stable relationships with main contractors in the Macau construction industry as well as project owners. Through our amicable relationship with our key customers, we are able to gradually secure an increasing number of projects in the private sector, participating in projects for integrated entertainment resorts in Macau during the Track Record Period. Our Directors also believe that to grow our business further and capture a larger market share in order to improve our profitability, we need to strengthen our financial position to increasingly assume the role of main contractor for E&M projects and/or participate in more large-scale construction projects.

In 2017, 2018 and 2019, we submitted a total of 43, 54 and 68 tenders or quotations, respectively, as a main contractor for projects in both public and private sectors and were subsequently awarded a total of 17, 37 and 36 projects, respectively, in both public and private sectors for the abovementioned tenders or quotations. Our revenue generated by acting as a main contractor accounted for approximately 5.0%, 40.6% and 34.5% of our total revenue in 2017, 2018 and 2019, respectively. We believe that as a main contractor, we will have greater control and flexibility in planning and executing the E&M engineering services works, managing subcontracting costs and the overall costs of the whole project, all of which is believed to be able to potentially increase our profitability. We will also gain opportunities to establish stronger and long-standing relationship with project owners through our direct collaboration, which will possibly lead us to more future business opportunities.

Leveraging on our rich experience in E&M engineering services works, we also plan to undertake large-scale construction projects which involve our E&M engineering services works specialities. During the Track Record Period, our Group undertook one, two, three and three large-scale E&M projects with contract value of not less than MOP50.0 million, respectively, which in aggregate contributed contract revenue of approximately MOP74.2 million, MOP58.9 million, MOP87.6 million and MOP36.4 million, respectively, representing approximately 46.2%, 27.0%, 36.8% and 75.1% of our total revenue, respectively. Our Directors believe that undertaking large-scale E&M projects will have a positive effect on our reputation and goodwill in the construction industry, increasing our brand exposure to potential project owners in both private and public sectors, thereby attracting potential business opportunities from new customers.

As we are able to gradually undertake an increasing number of main contractor and/or large-scale projects, our Group has maintained rapid growth in terms of our business scale in the recent years. Our revenue increased significantly from approximately MOP160.8 million in 2017 to approximately MOP218.3 million and MOP237.7 million in 2018 and 2019, respectively. However, our overall gross margin experienced a drop from approximately 26.9% in 2017 to approximately 22.9% and 22.3% in 2018 and 2019, respectively. Our Directors consider that the decrease in our gross margin at the time of our business expansion in 2018

and 2019 was mainly attributable to our insufficient manpower to carry out the projects at the relevant times, as a result of which our Group had to resort to subcontracting to complete the projects on time, which inevitably increased our subcontracting costs and hindered our profitability. In order to strive for business growth without compromising our profitability, our Directors believe that our ability to improve our profitability depends on, to a certain extent, our financial capabilities to take up more main contractor projects and/or sizeable projects which are generally more profitable in nature and our ability to better manage the cost structure of our projects (including raw materials, manpower and subcontracting) at optimal proportions and in a more controllable manner.

According to the Industry Report, the E&M engineering services industry is capital intensive and financial capabilities have been seen among the project owners as one of the key factors for selecting the main contractors. Depending on the nature, size, duration, scope, specification and complexity of the projects to be undertaken, we generally have to incur significant upfront expenditure (such as payment for rental deposits of machineries and equipment, site set-up costs, material costs, labour costs and insurance costs) at the commencement of our projects from time to time. With reference to our E&M projects undertaken during the Track Record Period and according to the Industry Report, it is estimated that an average upfront expenditure equivalent to approximately 10.0% of the total contract value of an E&M project would be required. Further, we generally have to incur substantial material costs during the implementation period of our projects in accordance with the project requirements from time to time, in particular for large-scale projects the requirements of which entail a high proportion of material procurement. Our material costs increased significantly from approximately MOP20.2 million in 2017 to approximately MOP44.1 million and MOP50.8 million in 2018 and 2019, respectively. As we plan to further develop our capacity as main contractor and/or to participate in more large-scale construction projects, our Directors believe that the amount of upfront costs (excluding performance bonds) and material costs required to be incurred by our Group will be more substantial as the number, size and scale of our projects increase, thereby imposing a higher demand on our working capital sufficiency.

Taking into account the relevant requirements of our projects on hand as at 30 June 2020 and the potential intake of the Specific Tendered Projects (which our Directors believe that our Group has a fairly good chance in obtaining), we intend to apply approximately HK\$38.2 million, representing approximately 63.6% of our net proceeds from the Global Offering to finance (i) the payment of upfront expenditure (excluding performance bonds) of our certain projects on hand as at 30 June 2020 and the Specific Tendered Projects that may be secured by us; and (ii) the specific material costs of our certain projects on hand as at 30 June 2020 and the Specific Tendered Projects (if so awarded) which are expected to incur substantial material costs in 2020 and 2021. For details of our intended use of proceeds, please refer to “Future plans and use of proceeds” in this prospectus.

On the other hand, main contractors (and in certain private sector projects, even subcontractors) are generally required to incur significant cash outlays in the form of performance bonds. A performance bond is a type of surety bond issued to guarantee satisfactory completion of a project by a contractor. According to the Industry Report, a

performance bond is typically set at around 10% of the contract value of a project. As we intend to undertake more main contractor projects and large-scale E&M projects, our Directors believe that it is imperative for us to have in place sufficient funds to meet the performance bond requirements that may be imposed by our customers from time to time.

Under our existing banking facility with a bank in Macau, we are only allowed to utilise the facility for funding the performance bonds issued for projects undertaken for specific project owners, including the Macau government, government-related utility companies and integrated entertainment resorts in Macau (“**Designated Project Owner(s)**”). As such, if we undertake new projects which require performance bonds from project owners who are not Designated Project Owners, we would have to rely on our internal financial resources for the issuance of our performance bonds. As it is our Group’s business strategy to increasingly assume the role of a main contractor and participate in more large-scale E&M projects, we have devoted resources and will continue to expand our effort in exploring and procuring sizeable E&M projects from customers which may or may not be Designated Project Owners, subject to our capacity and resources from time to time. As such, our Directors believe that it is essential for our Group to have sufficient liquidity and financial resources to materialise our business expansion plan.

Taking into account the relevant requirements of our projects on hand as at 30 June 2020, we intend to apply approximately HK\$13.3 million, representing approximately 22.1% of our net proceeds from the Global Offering to finance the issuance of performance bonds for our projects on hand and when undertaking new projects from time to time. For details, please refer to “Future plans and use of proceeds” in this prospectus.

Our Directors believe that the Global Offering can strengthen our financial resources and enhance our fund raising capability through our access to capital markets upon Listing. All of these will reinforce our financing capabilities and in turn enable us to take up a greater number and scale of E&M projects in Macau as a main contractor and/or to participate in more large-scale construction projects.

We plan to expand our workforce by recruiting additional skilled professionals and labour

There is a general scarcity of skilled labour in the Macau construction market, in particular, professionals such as engineers. As such, our capacity in taking up E&M projects, to a large extent, depends on the number of direct skilled professionals and workers we are able to recruit. Otherwise we may have to rely on our subcontractors to carry out the works, therefore reducing our profits. In January 2015, the Macau government introduced a stringent and complex registration regime for newly qualified engineers to become registered as a RPE. In order to become a RPE, the new regime requires all qualified engineers to comply with a complex set of rules involving training and examination. Please refer to “Regulatory overview” in this prospectus for further details. As only RPEs may approve and sign-off certain types of works and projects, our Directors consider that it is imperative for a contractor in the Macau construction industry to have its own RPEs in order to be a competitive player.

In light of such scarcity of skilled labour and professional engineers, our experienced management team and skilled workforce are key elements of our Group's historical and future success. Our Directors consider that expanding our current project management team, in particular by recruiting additional project managers and engineers of skills and experience, will allow us to better manage and control the programme of various E&M projects of larger scale undertaken by us at the same time and enable us to supervise and monitor the works of our workers and subcontractors at different project sites simultaneously, thereby further develop our capacity to undertake more sizeable E&M projects at any one time while adhering to the quality and reliability of our E&M engineering services works. Our Directors further consider that maintaining and expanding a stable pool of skilled workers will provide us with the flexibility to take up E&M projects by deploying and utilising our own workforce and reducing the need to subcontract the works as well as allowing us to undertake more projects at a given time, which will therefore increase our overall profitability. To ensure that our Group continues to perform at a competitive level and is well positioned to undertake more E&M projects of larger scale, we plan to recruit additional RPEs and other members of staff. Our Directors intend to apply approximately HK\$6.6 million, representing approximately 11.0% of our net proceeds from the Global Offering for such recruitment. Please refer to "Future plans and use of proceeds" in this prospectus for further details of our recruitment plan.

Our Directors consider that our Group did not experience any difficulties in recruiting professional staff or skilled labour during the Track Record Period and are of the view that there would not be any difficulties in recruiting the same in the near future under the RPE registration regime. Furthermore, our Directors consider that it would be relatively easier for our Group to recruit graduate engineers from referrals due to our Group's management team's amicable relationship with a university in Macau. During the Track Record Period, our Group recruited a total of two graduates from such university as engineers who will be trained to become RPEs. Taking into account our Group's prudent recruitment plan, our Directors believe that there should be sufficient local skilled labour available in the market to satisfy our manpower needs.

Having considered our Group's relatively high subcontracting costs to revenue ratio recorded during the Track Record Period which contributed to a decrease in the overall gross margins of our E&M projects and the potential cost-saving effect by deploying our Group's own manpower to perform the E&M engineering services works under our E&M projects as disclosed in "Future plans and use of proceeds – Use of proceeds – (c) For expanding our workforce – (iii) Improving our profitability through reducing level of subcontracting in upcoming opportunities" in this prospectus, our Directors consider that hiring additional staff as opposed to subcontracting works will improve our profitability as a result of the reduction in our subcontracting costs which generally leads to a higher gross margin. Furthermore, our Directors are of the view that hiring our own staff as opposed to engaging subcontractors will enable us to better ensure the quality of our works through having more direct control over the deployment of staff who has the required experience, know-how, expertise and industry knowledge to perform the specific works and to closely monitor the progress of delivery of our works in every step and adjust our plans whenever necessary so as to ensure punctual delivery of quality works. We believe having our own team will increase our overall flexibility in staff deployment to grasp new business opportunities without being subject to the risks associated with the availability of our subcontractors and to a certain extent, minimise our subcontracting costs.

We plan to acquire construction machineries and equipment to facilitate our business expansion plans

Depending on the scope of works of each project, we generally lease machineries and equipment to carry out our works. We generally take into account the following factors when determining whether to lease or purchase certain lease machineries and equipment, including (i) rental and purchase cost, (ii) utilisation rate, (iii) estimated useful lives, (iv) storage, frequency of maintenance and repair needs, (v) requirement of the projects, and (vi) availability of the machineries for rental in the market.

Our Directors are of the view that, having considered the above factors, we will need to acquire additional machineries and equipment in order to pursue our business strategies and capture the future growth in the Macau construction industry. To facilitate our business expansion plans and increasing, in both quantity and scale, the number of E&M projects we undertake, our Directors plan to apply approximately HK\$2.0 million, representing approximately 3.3% of our net proceeds from the Global Offering for the acquisition of additional machineries and equipment, including mobile scissor lift platforms and a mobile generator. For details, please refer to “Future plans and use of proceeds” in this prospectus.

Currently, our mobile scissor lift platforms are leased on a project-by-project basis. As these platforms are almost always used in the installation works, our Directors are of the view that acquiring these machineries and equipment not only reduces our reliance on leased equipment and operating lease expenditures, but also ensures more flexibility and higher efficiency in the utilisation and allocation of machineries according to different projects and works schedules. Further, the addition of mobile generators would provide a reliable back-up electricity source and ensure that we can continue with our installation works in case of power shortage or failure in Macau. As confirmed by our Directors after having made due and careful enquiries, the mobile generator which our Group intends to acquire is not readily available for lease in the market and therefore, our Directors consider that it is justifiable and in the interests of our Group to acquire the mobile generator to facilitate our business operations.

OUR BUSINESS

Our business streams

We are an integrated E&M engineering services works contractor mainly engaging in providing E&M engineering services works in Macau. Based on the contractual requirements of our customers, we provide a combination of E&M engineering services that generally involve the supply and/or installation of (i) LV systems; (ii) HVAC systems; and (iii) ELV systems, and the relevant testing and commissioning thereof as well as management and monitoring of quality and delivery of our E&M engineering services works. We are also generally responsible for the procurement of materials and equipment, as well as the management and supervision of our workers and subcontractors.

1. LV systems works

LV systems include all manner of power supply and distribution within a building, including cables, earthing, lighting systems, as well as the supply and installation of power cables, electrical wiring, switchboards, power outlets, lighting systems, and other related electrical equipment.

Our services for LV systems works involve the supply and installation of LV systems for our customers. Subject to the scope of works as stipulated in the contracts and the availability of our workers, we generally procure LV systems materials and equipment as required by our customers and carry out the installation of LV systems with our experienced engineers and pool of skilled workers. In addition to supplying and installing the electrical systems, we also provide commissioning, testing and reporting services.

During the Track Record Period, our revenue generated from LV systems works amounted to approximately MOP46.8 million, MOP80.2 million, MOP91.5 million and MOP35.1 million, respectively, representing approximately 29.1%, 36.7%, 38.5% and 72.4% of our total revenue, respectively.

2. HVAC systems works

HVAC systems include controlling and maintaining the temperature and humidity of air within a building. HVAC equipment is used for regulating the indoor air and temperature conditions and improving indoor air quality and is an integral and important part of every building and property.

Our services for HVAC systems works include the supply and installation of variable refrigerant volume units, ventilation and exhaust air systems for buildings, as well as the supply and installation of related pipes, ducts, air-conditioning units, ventilation fans and other related equipment. Depending on the scope of works as stipulated in the contracts, we generally procure HVAC equipment in accordance with their required specifications, while the installation of HVAC equipment is rather piecemeal in nature and we usually subcontract substantial HVAC systems installation works to our subcontractors. Please refer to “Subcontractors” in this section for further details.

During the Track Record Period, our revenue generated from HVAC systems works amounted to approximately MOP88.3 million, MOP95.2 million, MOP92.1 million and MOP4.4 million, respectively, representing approximately 54.9%, 43.6%, 38.7% and 9.0% of our total revenue, respectively.

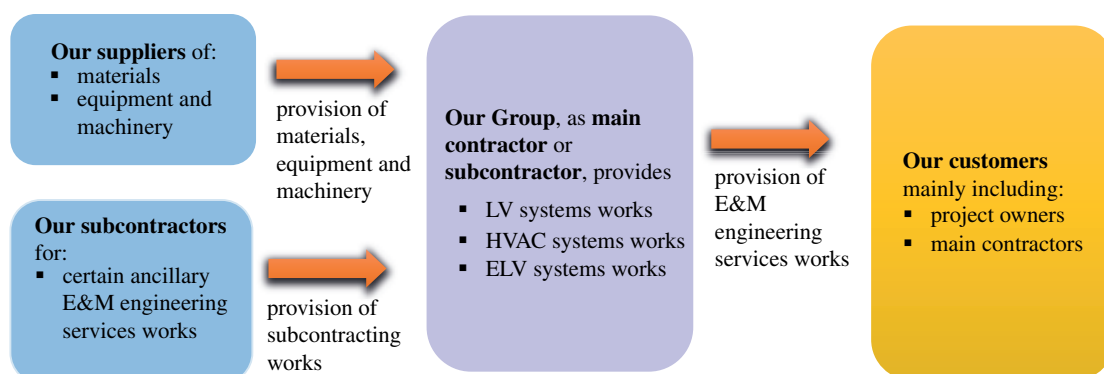
3. *ELV systems works*

ELV systems include telephones, CCTV and any other systems within a building that require a transmission signal.

We generally engage third party subcontractors to procure and install the ELV systems in our projects while our workers would be responsible for supportive installation works, such as the trunking and conduit works. The installation works of ELV systems require specialist technical knowledge, and are generally sold and installed by the licenced distributors or agents of the brand owners or manufacturers of the systems. Please refer to “Subcontractors” in this section for further details.

During the Track Record Period, our revenue generated from ELV systems works amounted to approximately MOP24.1 million, MOP40.8 million, MOP49.2 million and MOP8.6 million, respectively, representing approximately 15.0%, 18.7%, 20.7% and 17.7% of our total revenue, respectively.

The following diagram sets forth our position as an integrated E&M engineering services works contractor within the value chain of the construction industry:



To complement our E&M engineering services works, we also provide maintenance and repair services to our customers on a term contract basis. Under the terms of our maintenance and repair services, we are generally required to, within a fixed term, perform maintenance and repair services on the LV systems, HVAC systems and/or ELV systems of our customers. Although the revenue derived from such maintenance and repair services was insignificant (which only amounted to approximately MOP1.6 million, MOP2.1 million, MOP4.9 million and MOP0.5 million during the Track Record Period, respectively) compared to our revenue derived from our E&M engineering services works during the Track Record Period, our Directors believe that the provision of such services nonetheless provides a valuable channel with which to maintain constant communication with our customers.

OUR PROJECTS

During the Track Record Period, our revenue was wholly derived from our business activities in Macau. Our Group undertook projects in both public and private sectors.

The traditional mainstay of our projects come from the public sector, which primarily include E&M engineering services works on the buildings and/or premises of various departments and agencies of the Macau government, as well as education institutions, utilities and other buildings of the Macau local community. During the Track Record Period, our revenue generated from public sector projects amounted to approximately MOP42.1 million, MOP43.7 million, MOP97.3 million and MOP6.1 million, respectively, representing approximately 26.2%, 20.0%, 40.9% and 12.5% of our total revenue, respectively.

Our private sector E&M projects primarily comprise E&M engineering services works carried out on (i) world-class hotels and integrated entertainment resorts; and (ii) other commercial premises. During the Track Record Period, our revenue generated from private sector E&M projects amounted to approximately MOP118.6 million, MOP174.6 million, MOP140.4 million and MOP42.4 million, respectively, representing approximately 73.8%, 80.0%, 59.1% and 87.5% of our total revenue, respectively.

To offer comprehensive E&M engineering services works to our customers and to gradually pave way for more projects in the role of a main contractor and to participate in more large-scale projects, we have expanded our E&M engineering services works offered over the years in both the public and private sectors.

Our financial results may fluctuate in each financial year due to the fact that (i) our business is project-based; (ii) our revenue is recognised with reference to the respective stages of completion of our projects; and (iii) our mix of E&M engineering services works rendered may vary from time to time, which in turn affects our overall profitability due to the different operation models and cost structure for each business stream.

During the Track Record Period, our customers in both public and private sectors generally include the main contractors and project owners of construction projects. Depending on the scope and nature of the works to be performed, we were engaged as the project's main contractor or subcontractor.

As a subcontractor, we are responsible for carrying out works delegated and arranged by the main contractor in accordance with the relevant subcontracting contracts. During the Track Record Period, our revenue with reference to the role of a subcontractor amounted to approximately MOP152.7 million, MOP129.7 million, MOP155.6 million and MOP6.1 million, respectively, representing approximately 95.0%, 59.4%, 65.5% and 12.5% of our total revenue, respectively.

We also act as a main contractor for projects in both public and private sectors. As a main contractor, we are responsible for the overall management, coordination and implementation of the project and provide or procure the necessary materials, equipment and machineries, labour and expertise required for and control the quality and safety aspects of the projects. During the Track Record Period, our revenue with reference to the role of a main contractor amounted to approximately MOP8.1 million, MOP88.6 million, MOP82.0 million and MOP42.4 million, respectively, representing approximately 5.0%, 40.6%, 34.5% and 87.5% of our total revenue, respectively. We gradually established our presence in the private sector and, having cultivated amicable business relationships directly with main contractors, and through them, indirectly with the project owners by demonstrating the quality, reliability and value of our works in previous projects, we have managed to receive an increasing number of project invitations from project owners, particularly in the private sector and, in turn, assumed the role of main contractor for more projects in the private sector. Our Directors believe that as our Group accumulates both business connections and goodwill, our chance of assuming the role of main contractor shall further increase in the future.

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, save for three of our on-going E&M projects which were temporarily suspended for a period of approximately one to two weeks due to voluntary project suspension initiated by our customers owing to the outbreak of COVID-19 as disclosed in “Effects of the COVID-19 outbreak” in this section, our customers had not requested for any material suspension, delay and/or scale down of our projects on hand as at the Latest Practicable Date (including our on-going projects and projects awarded to us but not yet commenced). Our Directors further confirm that our works under the said E&M projects were carried out in accordance with the relevant project schedules and our customers had not requested for any reduction or cancellation of our contracted works under such projects as at the Latest Practicable Date.

(i) Our projects on hand as at 30 June 2020

Subsequent to the Track Record Period and up to 30 June 2020, we had been further awarded with five projects with an aggregate contract value of approximately MOP148.6 million. As at 30 June 2020, our Group had 63 projects on hand and the amount of revenue expected to be recognised from these projects will be approximately MOP289.5 million, MOP83.4 million and MOP15.9 million for the 10 months ending 31 December 2020, the year ending 31 December 2021 and the year ending 31 December 2022, respectively. The following table sets forth the details of our projects on hand as at 30 June 2020 each of which is expected to contribute backlog revenue of not less than MOP1.0 million after the Track Record Period:

Project	Role of our Group	Customer	Services provided by our Group	Contract value	Revenue recognised during the Track Record Period	Revenue estimated to be recognised after the Track Record Period			
						10 months ending 31 December 2020			Year ending 31 December 2022
						MOP'000	MOP'000	MOP'000	
P1	Subcontractor	ACEL	LV systems works	4,950	3,887	1,063	–	–	–
P2	Subcontractor	ACEL	LV systems works	11,300	10,255	1,045	–	–	–
P3	Subcontractor	Customer C	ELV systems works	8,606	4,466	4,140	–	–	–
Project 3	Subcontractor	Customer F	HVAC systems works	66,320	58,995	7,325	–	–	–
P4	Main contractor	Customer D	ELV systems works	12,111	8,293	1,273	1,273	1,272	1,272
Project 4	Main contractor	Customer D	LV systems works and ELV systems works	51,575	35,168	16,407	–	–	–

BUSINESS

Project	Role of our Group	Customer	Services provided by our Group	Contract value	Revenue recognised during the Track Record Period	Revenue estimated to be recognised after the Track Record Period			
						10 months ending 31 December 2020	Year ending 31 December 2021	Year ending 31 December 2022	
						MOP'000	MOP'000	MOP'000	MOP'000
P5	Subcontractor	Customer H	HVAC systems works	17,450	10,762	6,688	-	-	-
P6	Main contractor	Customer D	LV systems works	10,349	7,205	3,144	-	-	-
P7	Subcontractor	Customer A	ELV systems works	31,000	13,467	17,533	-	-	-
P8	Main contractor	Customer D	LV systems works	5,939	4,119	1,820	-	-	-
P9	Subcontractor	Customer G	LV systems works and ELV systems works	42,000	-	42,000	-	-	-
P10	Main contractor	Customer E	LV systems works	6,283	55	6,228	-	-	-
P11	Subcontractor	Customer I	HVAC systems works	5,950	2,020	3,930	-	-	-
P12	Main contractor	Customer D	LV systems works	9,799	3,251	6,548	-	-	-
P13	Main contractor	Customer D	LV systems works	2,935	1,349	1,585	-	-	-
P14	Main contractor	Customer D	ELV systems works	2,321	447	1,874	-	-	-

BUSINESS

Project	Role of our Group	Customer	Services provided by our Group	Contract value	Revenue recognised during the Track Record Period	Revenue estimated to be recognised after the Track Record Period			
						10 months ending 31 December 2020	Year ending 31 December 2021	Year ending 31 December 2022	
						MOP'000	MOP'000	MOP'000	MOP'000
P15	Main contractor	Customer D	ELV systems works	2,549	713	1,836	–	–	–
Project 2	Main contractor	Customer D	LV systems works	78,041	18,800	59,241	–	–	–
P16	Main contractor	Customer D	ELV systems works	6,831	–	6,831	–	–	–
P17	Main contractor	Customer D	ELV systems works	1,849	–	1,849	–	–	–
P18	Subcontractor	ACEL	HVAC systems works	37,663	–	37,663	–	–	–
P19	Subcontractor	ACEL	LV systems works	3,878	1,971	1,907	–	–	–
P20	Main contractor	Customer D	LV systems works	2,764	–	2,764	–	–	–
Project B	Subcontractor	Customer A	ELV systems works	136,938	–	41,570	80,697	14,671	–

BUSINESS

Project	Role of our Group	Customer	Services provided by our Group	Contract value	Revenue recognised during the Track Record Period	Revenue estimated to be recognised after the Track Record Period		
						10 months ending 31 December 2020	Year ending 31 December 2021	Year ending 31 December 2022
Other projects with backlog revenue of less than MOP1.0 million each	N/A	N/A	N/A	43,148				
					MOP'000	MOP'000	MOP'000	MOP'000
					28,531	13,212	1,405	-
					Total			
					289,476	83,375	15,943	
					Total revenue estimated to be recognised from projects awarded by Customer D			
					Percentage of total revenue estimated to be recognised from projects awarded by Customer D (%)			
						113,370	2,023	1,272
						39.2	2.4	8.0

(ii) Our projects by business stream

The following table sets forth a breakdown of our projects by business stream that either (i) contributed revenue during the Track Record Period; (ii) contributed revenue during the Track Record Period and will continue contributing backlog revenue after the Track Record Period; or (iii) did not contribute revenue during the Track Record Period but will contribute backlog revenue after the Track Record Period:

	Year ended 31 December			Two months ended 29 February		10 months ending 31 December		Year ending 31 December		Year ending 31 December				
	2017	2018	2019	2020	2020	2020	2020	2021	2022					
	Number of projects that contributed revenue in the year (Note)	Number of projects that contributed revenue in the year (Note)	Number of projects that contributed revenue in the year (Note)	Number of projects that contributed revenue in the period (Note)	Revenue recognised in the period (Note)	Number of projects contributing revenue in the period (Note)	Revenue estimated to be recognised in the period (Note)	Number of projects contributing revenue in the year (Note)	Revenue estimated to be recognised in the year (Note)	Number of projects contributing revenue in the year (Note)	Revenue estimated to be recognised in the year (Note)			
	MOP'000 (audited)	MOP'000 (audited)	MOP'000 (audited)	MOP'000 (audited)	MOP'000 (audited)	MOP'000 (unaudited)	MOP'000 (unaudited)	MOP'000 (unaudited)	MOP'000 (unaudited)	MOP'000 (unaudited)	MOP'000 (unaudited)			
E&M engineering services works	49	159,178	96	216,160	85	232,755	28	48,057	51	287,227	2	81,447	1	14,671
– LV systems works	34	46,830	39	80,194	38	91,492	14	35,121	23	119,470	–	–	–	–
– HVAC systems works	20	88,286	17	95,171	11	92,091	3	4,371	6	56,370	1	750	–	–
– ELV systems works	20	24,062	52	40,795	36	49,172	11	8,565	26	111,387	1	80,697	1	14,671
Maintenance and repair services	11	1,574	17	2,094	14	4,925	6	456	12	2,249	4	1,928	1	1,272
Total	60	160,752	113	218,254	99	237,680	34	48,513	63	289,476	6	83,375	2	15,943

Note: Each project may involve more than one business stream of our E&M engineering services works and will be counted repeatedly based on the business streams of our E&M engineering services works provided for each individual project.

(iii) Our projects by sector

The following table sets forth a breakdown of the number of projects by sector, that either (i) contributed revenue during the Track Record Period; (ii) contributed revenue during the Track Record Period and will continue contributing backlog revenue after the Track Record Period; or (iii) did not contribute revenue during the Track Record Period but will contribute backlog revenue after the Track Record Period:

	Year ended 31 December			2019			2020			2021			2022		
	2017	2018	2019	2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022
	Number of projects that contributed revenue in the year	Number of projects that contributed revenue in the year	Number of projects that contributed revenue in the year	Number of projects that contributed revenue in the year	Number of projects that contributed revenue in the year	Number of projects that contributed revenue in the year	Number of projects that contributed revenue in the year	Number of projects that contributed revenue in the year	Number of projects that contributed revenue in the year	Number of projects that contributed revenue in the year	Number of projects that contributed revenue in the year	Number of projects that contributed revenue in the year	Number of projects that contributed revenue in the year	Number of projects that contributed revenue in the year	Number of projects that contributed revenue in the year
	Revenue recognised in the year	Revenue recognised in the year	Revenue recognised in the year	Revenue recognised in the year	Revenue recognised in the year	Revenue recognised in the year	Revenue recognised in the year	Revenue recognised in the year	Revenue recognised in the year	Revenue recognised in the year	Revenue recognised in the year	Revenue recognised in the year	Revenue recognised in the year	Revenue recognised in the year	Revenue recognised in the year
	MOP'000 (audited)	MOP'000 (audited)	MOP'000 (audited)	MOP'000 (audited)	MOP'000 (audited)	MOP'000 (audited)	MOP'000 (audited)	MOP'000 (audited)	MOP'000 (audited)	MOP'000 (audited)	MOP'000 (audited)	MOP'000 (audited)	MOP'000 (audited)	MOP'000 (audited)	MOP'000 (audited)
Private sector	25	118,649	75	174,566	67	140,373	25	42,435	45	248,282	3	82,280	2	15,943	
Hotels and resorts	19	113,784	68	150,571	57	131,050	22	42,132	41	198,448	2	81,970	2	15,943	
Other commercial premises	6	4,865	7	23,995	10	9,323	3	303	4	49,834	1	310	-	-	
Public sector	35	42,103	38	43,688	32	97,307	9	6,078	18	41,194	3	1,095	-	-	
Total	60	160,752	113	218,254	99	237,680	34	48,513	63	289,476	6	83,375	2	15,943	

The following table sets forth a breakdown of the number of projects by role, that either (i) contributed revenue during the Track Record Period; (ii) contributed revenue during the Track Record Period and will continue contributing backlog revenue after the Track Record Period; or (iii) did not contribute revenue during the Track Record Period but will contribute backlog revenue after the Track Record Period:

	Year ended 31 December			Two months ended 29 February		10 months ending 31 December		Year ending 31 December		Year ending 31 December	
	2017	2018	2019	2020		2020		2021		2022	
	Number of projects that contributed revenue in the year	Number of projects that contributed revenue in the year	Number of projects that contributed revenue in the year	Number of projects that contributed revenue in the period	Revenue recognised in the period	Number of projects contributing revenue in the period	Revenue estimated to be recognised in the period	Number of projects contributing revenue in the year	Revenue estimated to be recognised in the year	Number of projects contributing revenue in the year	Revenue estimated to be recognised in the year
	MOP'000 (audited)	MOP'000 (audited)	MOP'000 (audited)		MOP'000 (audited)		MOP'000 (unaudited)		MOP'000 (unaudited)		MOP'000 (unaudited)
Subcontractor	45	152,672	48	13	6,078	20	166,970	4	81,922	1	14,671
	15	8,080	51	21	42,435	43	122,506	2	1,453	1	1,272
Total	60	160,752	99	34	48,513	63	289,476	6	83,375	2	15,943

(v) Our top five E&M projects

The following table sets forth our top five E&M projects by contract value which we undertook during the Track Record Period:

Project	Project type	Customer	Location	Services provided by our Group	Tender/ quotation	Month and year of commencement	Month and year of completion/ Expected month and year of completion ^(Note 1)	Year ended 31 December												Two months ended 29 February		Revenue estimated to be recognised after the Track Record Period	
								2017			2018			2019			2020			10 months ending 31 December 2020		Year ending 31 December 2021	
								Contract value	Revenue	Gross profit	Gross margin	Revenue	Gross profit	Gross margin	Revenue	Gross profit	Gross margin	Revenue	Gross profit	Gross margin			
								MOP'000	MOP'000	MOP'000	%	MOP'000	MOP'000	%	MOP'000	MOP'000	%	MOP'000	MOP'000	%	MOP'000		MOP'000
Project 1	Private – Hotels and resorts	ACEL	Cotai, Macau	Providing HVAC systems works	Quotation	January 2017	December 2018 ^(Note 2)	144,797	74,240	20,045	27.0	55,648	15,025	27.0	14,909	3,869	26.0	-	-	-	-	-	
Project 2	Private – Hotels and resorts	Customer D	Cotai, Macau	Providing LV systems works	Restricted tender	February 2020	December 2020	78,041	-	-	-	-	-	-	-	-	-	18,800	3,760	20.0	59,241	-	
Project 3	Public – school premises	Customer F	Coloane, Macau	Providing HVAC systems works	Quotation	June 2018	July 2020	66,320	-	-	-	3,286	493	15.0	52,460	11,771	22.4	3,249	715	22.0	7,325	-	
Project 4	Private – Hotels and resorts	Customer D	Cotai, Macau	Providing LV systems works and ELV systems works	Quotation	March 2019	October 2020	51,575	-	-	-	-	-	-	20,784	7,274	35.0	14,384	5,034	35.0	16,407	-	

Project	Project type	Customer	Location	Services provided by our Group	Tender/ quotation	Month and year of commencement	Month and year of completion (Note 1)	Contract value	Year ended 31 December									Two months ended 29 February		Revenue estimated to be recognised after the Track Record Period		
									2017			2018			2019			2020			10 months ending 31 December 2020	Year ending 31 December 2021
									Revenue	Gross profit	Gross margin	Revenue	Gross profit	Gross margin	Revenue	Gross profit	Gross margin	Revenue	Gross profit	Gross margin		
									MOP'000	MOP'000	%	MOP'000	MOP'000	%	MOP'000	MOP'000	%	MOP'000	MOP'000	%		
Project 5	Private – Hotels and resorts	ACEL	Cotai, Macau	Providing LV systems works and ELV systems works	Quotation	March 2018	June 2019	48,551	-	-	-	18,804	2,215	11.8	29,747	16,119	54.2	-	-	-	-	
																				Value insignificant		

Notes:

- (1) The expected month and year of completion represents the time of completion specified in the contract or the time of completion as later agreed upon with our customer.
- (2) We received the certificate of practical completion in December 2018. The actual completion date is subject to the settlement of final accounts with our customer.

BUSINESS

Backlog

Backlog is the estimate of the remaining contract value of our ongoing projects as at 29 February 2020. As at 29 February 2020, we had backlog revenue for E&M projects of approximately MOP231.6 million which we expect to be generated from our 45 E&M projects on hand.

The following table sets forth the movement of the backlog revenue and the number of our E&M projects during the Track Record Period:

	Year ended 31 December			Two months ended
	2017	2018	2019	29 February
	MOP'000	MOP'000	MOP'000	2020
				MOP'000
Opening value of backlog	166,064	147,348	200,654	199,496
Add: Net value of new contracts ^(Note 1)	140,462	269,466	231,597	80,182
Less: Revenue recognised ^(Note 2)	(159,178)	(216,160)	(232,755)	(48,057)
Closing value of backlog ^(Note 3)	<u>147,348</u>	<u>200,654</u>	<u>199,496</u>	<u>231,621</u>

Notes:

- (1) “Net value of new contracts” means the total contract value of new E&M projects which were awarded to us together with the additional amount(s) stipulated under the variation order(s) during the relevant year/period. The additional amount(s) of variation order(s) which contributed to “net value of new contracts” amounted to approximately MOP2.2 million, MOP10.9 million, MOP7.6 million and MOP1.6 million, respectively, during the Track Record Period.
- (2) “Revenue recognised” means the revenue for the E&M projects which have been recognised during the relevant year/period.
- (3) “Closing value of backlog” means the total contract value of the remaining works before the percentage of completion reach 100% as at the end of the relevant year/period.

BUSINESS

	Year ended 31 December			Two months ended 29 February
	2017	2018	2019	2020
Opening number of projects	23	35	41	45
Add: Number of projects newly awarded during the year/period	37	52	43	4
Less: Number of projects completed during the year/period	25	46	39	2
Closing number of projects	35	41	45	47

During the Track Record Period, we experienced substantial growth in our private sector projects. The majority of our projects from the private sector comprised works in relation to E&M engineering services works carried out on world-class hotels and integrated entertainment resorts. During the Track Record Period, our revenue generated from projects for world-class hotels and integrated entertainment resorts amounted to approximately MOP113.8 million, MOP150.6 million, MOP131.1 million and MOP42.1 million, respectively, representing approximately 70.8%, 69.0%, 55.1% and 86.8% of our total revenue, respectively.

Our Directors consider that, even though we recorded a substantial proportion of our revenue generated from world-class hotels and integrated entertainment resorts projects from the private sector during the Track Record Period, leveraging on our established reputation and proven track record in the E&M engineering services industry, our business would still be sustainable even in the event of a market decline in projects from world-class hotels and integrated entertainment resorts for the following reasons:

- (i) we began our business in the public sector in 2011, and our Directors consider that our public sector projects form the bedrock of our business. During the Track Record Period, our revenue attributable to public sector projects amounted to approximately MOP42.1 million, MOP43.7 million, MOP97.3 million and MOP6.1 million, respectively. We believe that we have established a considerable presence in the E&M engineering services industry within the public sector realm, which would provide our Group with a consistent and sustainable source of revenue should the hotels and resorts sector suffer a downturn; and
- (ii) as at 30 June 2020, the total amount of revenue expected to be generated from (a) our E&M projects within the public sector; and (b) our E&M projects within the private sector with respect to non-hotel and resort commercial premises projects will be approximately MOP91.0 million and MOP1.4 million for the 10 months ending 31 December 2020 and the year ending 31 December 2021, respectively.

BUSINESS

Please refer to “Risk factors – Risks relating to our business – A possible downturn in the Macau gaming industry and casino-related businesses may significantly impact our operation results” in this prospectus for further details.

OUR LIQUIDITY POSITION

Our Directors are of the view that, in order to undertake more main contractor and/or large-scale E&M projects in Macau, it is essential and crucial for us to carefully and prudently maintain a strong liquidity position at all times to ensure our smooth business operations and to be able to devote sufficient resources in the implementation of our business plans.

During the Track Record Period, our net cash from operating activities was approximately MOP15.2 million, MOP18.3 million, MOP16.5 million and MOP7.1 million, respectively. The level of our bank balances and cash went through a typical rise and fall cycle each year as affected by the intake of new projects and the progress of on-going projects. As at 30 June 2020, we had bank balances and cash of approximately MOP46.1 million.

Cash needs for our current operation scale

Our Group’s bank balances and cash is generally required to be utilised in the following ways: (i) to satisfy needs of working capital for the daily operations under our Group’s current operation scale; and (ii) to fund part of the upfront expenditures at the initial stage of our E&M projects from time to time.

(a) Needs of working capital for daily operations

Our Group requires a substantial amount of working capital to run our daily operations and fund our payment obligations from time to time, including payments to our suppliers, subcontractors, direct labour and staff.

In order to manage our operations prudently and to ensure that we are able to meet our payment obligations from time to time, our Group seeks to maintain at all times a reasonable level of working capital for our daily operations, which is generally not less than the aggregate sum of (a) the payment to our Group’s suppliers in respect of the material costs; (b) the payment to our Group’s subcontractors in respect of the subcontracting costs; and (c) the payment of our Group’s direct labour and other staff costs for the forthcoming two months at the relevant time. Based on our current operation scale, it is estimated that our working capital needs generally amount to not less than approximately MOP31.4 million in aggregate.

It is crucial for our Group to meet our payment obligations in a timely manner. Delayed payments to any of our suppliers, subcontractors and/or direct labour and staff may have negative impact on our project progress and as such may affect our project delivery schedule. In addition, our Directors believe that if our Group fails to pay our local and/or foreign workers in time, our ability to apply for foreign labour quotas or to renew our permits for hiring foreign labour in the future may be adversely affected. All of the above could have an adverse impact on our Group's reputation in the E&M engineering services industry and hinder our business development.

(b) Funding part of the upfront expenditures at the initial stage of our E&M projects from time to time

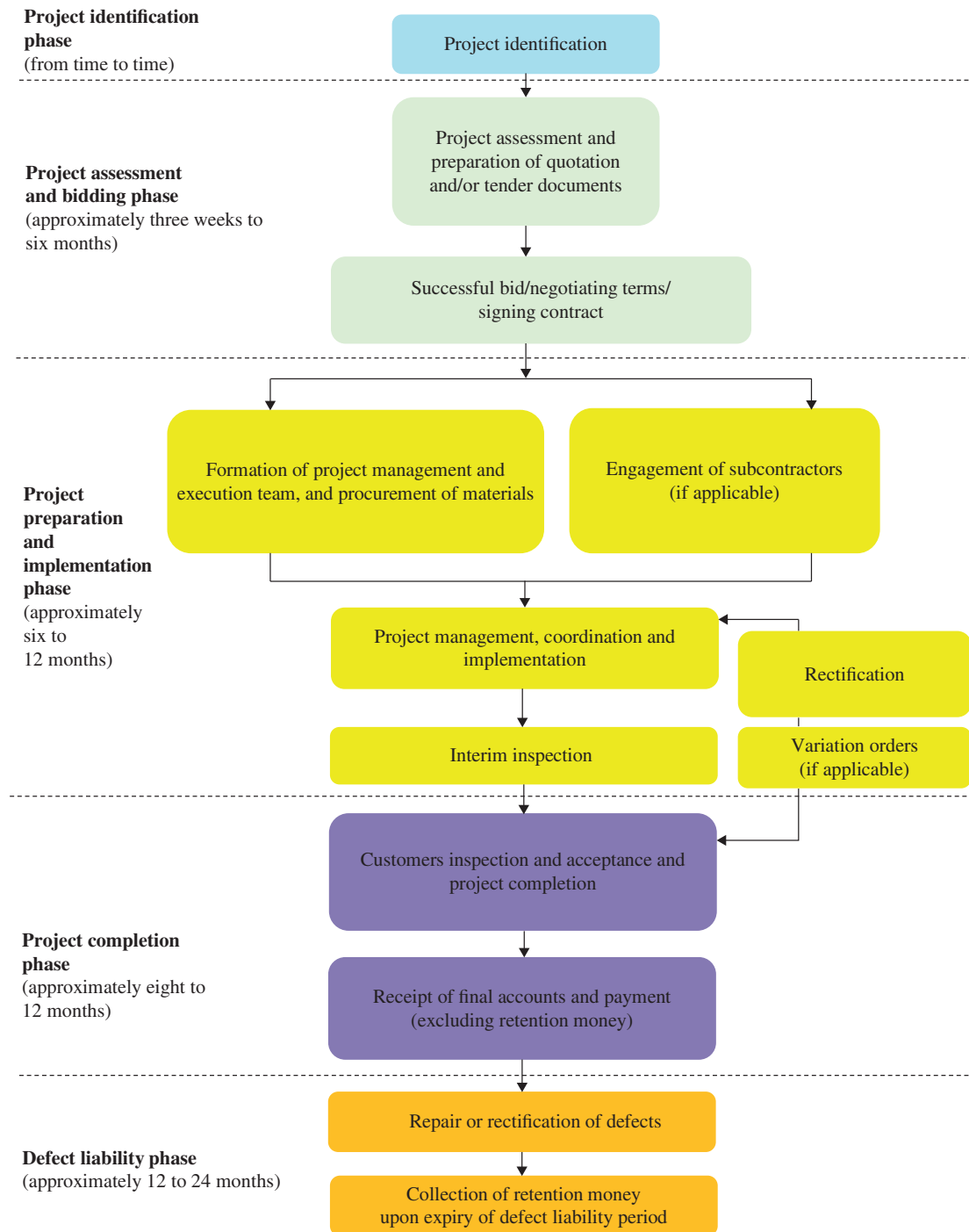
In line with the industry practice, our Group generally has a net cash outflow at the early stage of our E&M projects and a net cash inflow at the completion stage of our E&M projects. Depending on the nature, size, duration, scope, specification and complexity of the projects to be undertaken, our Group generally has to incur significant upfront expenditures such as payment for machineries and equipment, site set-up costs, material costs, labour costs and insurance costs during the initial stages of our projects. With reference to our E&M projects undertaken during the Track Record Period and according to the Industry Report, it is estimated that an average upfront expenditure equivalent to approximately 10.0% of the total contract value of an E&M project would be required.

We generally experience a net cash outflow at the early stages of our E&M projects primarily due to the difference in time between our upfront expenditure payments at the initial stages of our projects and our receipt of progress payments from our customers upon completion of all or part of our project works. In respect of our large-scale projects undertaken during the Track Record Period, we generally first incurred our upfront expenditures approximately two months to six months prior to our receipt of the respective first progress payment from our customers. Accordingly, our Group's working capital is generally tied up until we receive substantial progress payments from our customers and we generally have to fund our upfront expenditures by utilising our internal resources.

In light of the above, it is imperative for our Group to adopt a prudent financial management strategy and to strive to maintain a robust liquidity position and a reasonable level of working capital buffer to support our current operation scale and anticipated business expansion. Further, it is also essential for our Group to maintain a healthy buffer at all times to maintain our Group's reputation in the E&M engineering services industry, so as to allow our Group to capture potential business opportunities from time to time.

OUR OPERATING PROCEDURES

The following diagram illustrates the general key stages and approximate time frame of our operation procedures which generally apply to all of our E&M projects:



Project identification phase

We generally identify our E&M projects through requests for quotation or invitations for tender (otherwise known as restricted tenders) by our customers or participation in open tenders. During the Track Record Period, all of our E&M engineering services works contracts were obtained through quotations or restricted tenders. For invitations for tenders, our invitations come from both existing customers as well as new or potential customers who approach us through referrals or word-of-mouth. For open tenders, we generally identify our projects from the websites of the Macau government departments or statutory or public bodies on which tender notices are published from time to time.

Our senior management will also from time to time take proactive steps to contact our customers and to identify potential E&M projects which are suitable for our Group.

Project assessment and bidding phase

Project assessment

Once we receive the tender invitation documents or quotation requests from our customer, our management team will first evaluate the scope, requirements and specifications of the project to determine mutual suitability and compatibility between our Group and the E&M project.

Before we decide to bid and undertake the E&M project, we will generally conduct our internal assessment and take into account the following factors. First, we will conduct project analysis including, among others, the background of the customer, the technical and safety aspects of the E&M project, the duration, and the risks and opportunities associated with the E&M project. Second, we will consider from the market perspective and take into account factors including, among others, the anticipated trend on labour and material costs, our chance of successful bidding by comparative analysis against our competitors, and the prevailing market conditions. Finally, we will consider, among others, our available manpower and resources, the allocation and management of project teams and our direct labour, and conduct a costing and pricing analysis.

Tender/quotation preparation

When preparing tenders or quotations for our customers, we will take into account a number of factors such as the scope of the E&M project, the manpower, materials and equipment requirements, the complexity and technical requirements, the scale and duration of the E&M project, the site location, our available manpower capacity and financial resources, the estimated costs of materials and labour, the budgeted profit margin, the competition which our Group is up against, and prevailing market conditions. Depending on the complexity of the project and the deadline provided by the customer, our quotation and tender proposals may take approximately one to four weeks to prepare.

BUSINESS

Tender/quotation success rate

The following table sets forth our tender/quotation success rates for our projects for the period indicated:

	Year ended 31 December		
	2017	2018	2019
Number of tenders/quotations submitted			
– Main contractor	43	54	68
– Subcontractor	23	43	21
Total	<u>66</u>	<u>97</u>	<u>89</u>
Number of contracts awarded			
– Main contractor	17	37	36
– Subcontractor	20	19	8
Total	<u>37</u>	<u>56</u>	<u>44</u>
Success rate (%)			
– Main contractor	39.5%	68.5%	52.9%
– Subcontractor	87.0%	44.2%	38.1%
Overall	56.1%	57.7%	49.4%

Note: The tender/quotation success rate for a financial year is calculated based on the number of contracts awarded (whether awarded in the same financial year or subsequently) in respect of the tenders or quotations submitted during that financial year.

BUSINESS

The following table sets forth (i) the number of projects secured by (a) tender, or (b) quotation; (ii) their respective success rate; (iii) the total awarded contract value; and (iv) the total revenue contributed by our projects secured by tender or quotation during the relevant year:

	<u>Tender</u> ^(Note 2)	<u>Quotation</u>
<u>2017</u>		
Number of tender/quotation ^(Note 1)		
– Submitted	21	45
– Awarded	6	31
Success rate (%)	28.6%	68.9%
 Total awarded contract value (MOP'000)	 53,384	 74,084
 Total revenue generated during the year (MOP'000)	 33,210	 127,541
<u>2018</u>		
Number of tender/quotation ^(Note 1)		
– Submitted	22	75
– Awarded	11	45
Success rate (%)	50.0%	60.0%
 Total awarded contract value (MOP'000)	 38,819	 366,965
 Total revenue generated during the year (MOP'000)	 72,652	 145,602
<u>2019</u>		
Number of tender/quotation ^(Note 1)		
– Submitted	22	67
– Awarded	10	34
Success rate (%)	45.5%	50.7%
 Total awarded contract value (MOP'000)	 101,929	 84,508
 Total revenue generated during the year (MOP'000)	 30,726	 206,954

Notes:

- (1) The tender/quotation success rate for a financial year is calculated based on the number of contracts awarded (whether awarded in the same financial year or subsequently) in respect of the tenders or quotations submitted during that financial year.
- (2) All contracts awarded by way of tendering were through invitations for tender (i.e. restricted tender) from 2017 to 2019.

BUSINESS

The following table sets forth (i) the number of tenders/quotations for projects submitted to and awarded by (a) ACEL; and (b) other customers of our Group; (ii) their respective success rate; (iii) the total awarded contract value; and (iv) the total revenue contributed by our contracts with ACEL and other customers of our Group respectively during the relevant year:

	ACEL	Other customers of our Group
<u>2017</u>		
Number of tender/quotation <i>(Note)</i>		
– Submitted	10	56
– Awarded	7	30
Success rate (%)	70.0%	53.6%
Total awarded contract value (<i>MOP'000</i>)	29,783	97,685
Total revenue generated during the year (<i>MOP'000</i>)	93,122	67,630
<u>2018</u>		
Number of tender/quotation <i>(Note)</i>		
– Submitted	13	84
– Awarded	12	44
Success rate (%)	92.3%	52.4%
Total awarded contract value (<i>MOP'000</i>)	64,370	341,414
Total revenue generated during the year (<i>MOP'000</i>)	88,148	130,106
<u>2019</u>		
Number of tender/quotation <i>(Note)</i>		
– Submitted	2	87
– Awarded	2	42
Success rate (%)	100%	48.3%
Total awarded contract value (<i>MOP'000</i>)	4,205	182,232
Total revenue generated during the year (<i>MOP'000</i>)	58,759	178,921

Note: The tender/quotation success rate for a financial year is calculated based on the number of contracts awarded (whether awarded in the same financial year or subsequently) in respect of the tenders or quotations submitted during that financial year.

After submitting our tender proposals and/or quotations, we may be required to respond to some follow-up queries and negotiate price adjustments and terms of the projects with our customers.

Successful bid, negotiating terms and contract signing

If our tender or quotation is successful, we will generally receive confirmation of the E&M project awarded. We will then confirm our purchases with our suppliers and negotiate further to make adjustments on the prices and quantities of materials where necessary. We will then generally enter into a contract with our customer based on the framework of our tender proposals or quotation and the confirmation of award. During the Track Record Period, the contract size of our E&M contracts ranged from approximately MOP14,800 to approximately MOP144.8 million, with an average contract size of approximately MOP6.2 million, while the range of contract size for our maintenance and repair services contracts was from approximately MOP3,300 to approximately MOP6.5 million, with an average contract size of approximately MOP0.5 million during the same period.

Project preparation and implementation phase

Procurement of materials and supplies from suppliers

After we have entered into contracts with our customers, we will commence our preparation works according to the master programme of the main contractor or project owner. We will make submissions to our customers or our customers will submit submissions to the project owners (as the case may be) to obtain their approval of the materials and supplies to be purchased as set out in our tender proposal or quotation. After obtaining approval from our customers or the project owners (as the case may be), we will proceed to place orders with our suppliers, especially for those materials and supplies which have a longer lead time. We also provide plans and drawings of the E&M engineering systems to our customers.

Formation of project management team and execution team and engagement of subcontractors

For every E&M project we undertake, we will form project management and execution teams and, where necessary, engage subcontractors to carry out particular works (e.g. where the installation works of HVAC systems and/or ELV systems are required).

BUSINESS

Our project management team is responsible for managing and implementing the programme of the project, and typically consists of the following roles:

- (1) Project manager: The project manager heads the project management team, and is responsible for running the programme of the E&M project, managing and controlling the quality of the construction site's work, and managing and controlling the financial and other resources of the E&M project.
- (2) Engineer: The project manager is usually assisted by one or more engineer(s), who is/are responsible for reporting directly to the project manager on matters of work site quality checks, temporary work designs (where required), work site supervision, and monitoring the progress of the E&M engineering services works.
- (3) Site agent: The site agent is generally responsible for arranging the execution of the works, and monitoring progress and control of all necessary resources, and is the key person in ensuring that the operations and the works are being carried out in accordance with the quality assurance plan set by the project manager.
- (4) Foreman: The foreman reports to the site agent, and supervises the works performed on the construction site. He is responsible for the frontline quality control of the site works.

Project management, coordination and implementation

Our project management team attends site meetings with the other working parties of the E&M project to ensure effective communication between the parties as and when required, to identify any issues or concern in the project in a timely manner. Our project team is also responsible for overseeing the delivery of materials for our E&M project at the construction site, and supervising and ensuring that the supply and installation works of our subcontractors meet the stipulated requirements of our contracts. Depending on the type, scale and complexity of our E&M projects, our projects generally require approximately six to 12 months to prepare and implement.

Variation orders

From time to time while we are in the course of carrying out our services, our customers may issue variation orders to us if they require amendments or modifications that are beyond the original scope of the contract. During the Track Record Period, our revenue attributable to variation orders amounted to approximately MOP2.2 million, MOP10.9 million, MOP7.6 million and MOP1.6 million, respectively.

Interim inspections

During the implementation process, we conduct on-site inspections in accordance with our quality control and/or safety management policies, to ensure work safety, efficient on-site performance and quality and timely delivery of our E&M projects. Please refer to “Quality control and management” in this section for further details.

Interim billings and payment

In general, we submit our invoices to our customers based on the progress of the works completed as stipulated in the relevant contract, detailing the amount and the value of our works done. The certification of works performed or endorsement of the invoices submitted by us depends on our roles in the relevant E&M projects: (i) when we act as a main contractor, in general, our customers or independent third parties would certify the amount of works performed in the relevant E&M projects; and (ii) when we act as a subcontractor, in general, our customers would agree and endorse the amount of works we performed upon receiving the invoices submitted by us without involving independent third parties. Our customers will generally pay us within 60 days after receiving and verifying our invoices. We will issue a receipt to our customers after receiving the payment. We generally pay our subcontractors by milestones as stipulated in the relevant contracts and pay them within 45 days upon receipt of their invoices.

Project completion phase

Inspection and acceptance and completion

Prior to the completion of an E&M project, our E&M engineering services works will be subject to a thorough on-site system testing and commissioning. Any deficiencies discovered will be rectified during this phase. We will also prepare and deliver the operation and maintenance manuals and as-built drawings to our customer. Operation and maintenance manuals contain instructions to the customer on how to operate the LV systems, HVAC systems and ELV systems which we were commissioned to supply and install; and as-built drawings reflect all the changes that we have made in the specifications and working drawings during the process, which show the dimensions, geometry, and location of all the elements of our works which we have completed under the contract. Our customers will issue a practical completion certificate as well as a statement of final accounts subsequent to their inspection and acceptance. Our Directors confirm that during the Track Record Period, our Group had not experienced any material delays in project completion.

Receipt of final accounts

Our customer will then settle the final accounts with us (excluding the retention money), after we submit our invoice to our customers.

Defect liability phase

Under the terms of our contracts, we are generally subject to a defect liability period, which requires us to undertake to repair or rectify any defects or sub-standard E&M engineering services works, or to replace items that fail to perform to the standards as specified within our contracts. The defect liability period of our projects is generally 12 months for projects within the private sector, and 24 months for projects within the public sector, and usually commences on the date of practical completion. Under the terms of our contracts, our customers will release the retention money (where the retention of such sum is required under the terms of the contract), which may account for up to 10% of our total contract sum, to us upon expiry of the defect liability period. Please refer to “Customers – Salient terms of project contracts with our customers” in this section for further details of our responsibilities under typical defect liability period and retention of fees clauses.

Our Directors confirm that during the Track Record Period, and up to the Latest Practicable Date, we did not receive any complaints and/or demand for any penalties from any of our customers regarding any unreasonable and/or material significant delays caused by us.

SALES AND MARKETING

Our Directors consider that the business development and success of an E&M engineering services works contractor depends principally on word-of-mouth referrals. Active marketing activities such as advertising and promotion are considered less important in the E&M engineering services industry. We do not have a specialised sales and marketing team, and we do not incur significant costs on advertising and promotion. Our management team is responsible for our sales and marketing activities, and actively monitors any opportunities and projects available in Macau. With their extensive experience of the E&M engineering services industry and a wide network of contacts within the local construction market, our Directors believe that our Group has been actively participating in construction tenders and quotation submissions in Macau.

To maintain our competitive edge in the market, from time to time, our management pro-actively reaches out to our customers, who mainly include main contractors or project owners.

CUSTOMERS

For our public sector projects, our customers are generally the project owners or the main contractors of the construction industry in Macau, who are usually engaged by various government departments. For our private sector projects, our customers mainly include the project owners or the main contractors engaged by world class hotels and integrated entertainment resort operators for the most part, and to a lesser extent, other commercial entities. Our main contractor customers subcontract all or part of the E&M engineering services works to us on a project-to-project basis. We also enter into maintenance and repairs services contracts as a main contractor or as a subcontractor from time to time. We normally

BUSINESS

require our customers to settle our invoices within 60 days. Our trade receivables are normally settled by cheque. Our Directors confirm that during the Track Record Period, our Group had not experienced any material disputes with our customers.

Major customers

Details of our top five customers for the year ended 31 December 2017 are set forth below:

Ranking	Customer	Background and principal business	Stream(s) of our services/works rendered	Length of business relationship (approximately)	Credit term	Payment method	Revenue (MOP'000)	Percentage to total revenue (%)
1	ACEL ^(Note 1)	Macau incorporated company principally engaging in mechanical, electrical engineering and maintenance works in Macau. Incorporated in 2006, ACEL is the contractor for a number of sizeable hotel projects in Macau, according to Frost & Sullivan	LV systems works, HVAC systems works and ELV systems works	9 years	45 days	Cheque	93,122	57.9
2	Customer A	Macau incorporated company principally engaging in the provision of construction and engineering services in Macau, in particular, (i) structural steelworks, civil engineering construction, and fitting out and renovation works; (ii) high voltage power substation construction and its system installation works; and (iii) facilities management, alteration and maintenance works and services, and a subsidiary of a company whose shares are listed on the Main Board of the Stock Exchange with a market capitalisation of over HK\$1.4 billion as at the Latest Practicable Date. According to Frost & Sullivan, the parent company of Customer A was the fifth largest civil engineering works contractor in Macau with an approximate market share of 0.9% in terms of revenue in 2019	LV systems works, HVAC systems works and ELV systems works	8 years	45 days	Cheque	26,078	16.2

BUSINESS

Ranking	Customer	Background and principal business	Stream(s) of our services/works rendered	Length of business relationship <i>(approximately)</i>	Credit term	Payment method	Revenue <i>(MOP'000)</i>	Percentage to total revenue <i>(%)</i>
3	Customer B	Macau incorporated company principally engaging in construction projects, design, urban planning and the provision of consulting services in Macau. Incorporated in 2003, the parent company of Customer B was the second largest fitting out contractor in Macau by revenue in 2019 with an approximate market share of 2.0%, according to Frost & Sullivan, and a company whose shares are listed on the Main Board of the Stock Exchange with a market capitalisation of over HK\$492.0 million as at the Latest Practicable Date	LV systems works, HVAC systems works, ELV systems works and maintenance and repair services	8 years	35 days	Cheque	12,680	7.9
4	Customer C	Macau incorporated company principally engaging in the provision of engineering and maintenance services in Macau. Incorporated in 2007, its customers include Macau governmental bodies, hotels and other companies. It was awarded several public sector projects in 2018 including but not limited to (i) the renovation project for the University of Macau; and (ii) the renovation project for the Flor de Lótus Bike Path (蓮花單車徑)	LV systems works, HVAC systems works and ELV systems works	7 years	On demand	Cheque	11,148	6.9

BUSINESS

Ranking	Customer	Background and principal business	Stream(s) of our services/works rendered	Length of business relationship (approximately)	Credit term	Payment method	Revenue (MOP'000)	Percentage to total revenue (%)
5	Customer D ^(Note 2)	A developer, owner and operator of integrated entertainment resort facilities in Asia whose shares are listed on the Nasdaq Stock Market with a market capitalisation of over US\$9.1 billion as at the Latest Practicable Date. Based on the annual report of its ultimate holding company for the year ended 31 December 2019, Customer D operates (i) a casino hotel located at Taipa, Macau; (ii) an integrated urban casino resort located in Cotai, Macau; and (iii) the largest non-casino based operations of electronic gaming machines in Macau. It also majority owns and operates a cinematically-themed integrated entertainment, retail and gaming resort in Cotai, Macau	LV systems works, HVAC systems works and ELV systems works	3 years	30 or 45 days	Telegraphic transfer	7,758	4.8
Total							150,786	93.7

Notes:

- (1) To the best of our Directors' knowledge, as at the Latest Practicable Date, save that (i) the shareholder of ACEL is the daughter of one of the shareholders of Supplier G; and (ii) the director of ACEL is also a director of Supplier G, there is no other existing relationship between ACEL and Supplier G. Our Directors confirm that, with respect to the projects undertaken by our Group for ACEL during the Track Record Period, we did not engage nor did ACEL nominate Supplier G as our supplier to provide any materials.
- (2) Customer D represents five entities belonging to the same group (including Customer D1, Customer D2 and Customer D3 as identified in "Notes to the historical financial information – 6. Revenue and segment information – (v) Information about major customers" in Appendix I to this prospectus). None of the five entities under Customer D contributed to over 10% of our Group's total revenue for the year ended 31 December 2017.

BUSINESS

Details of our top five customers for the year ended 31 December 2018 are set forth below:

Ranking	Customer	Background and principal business	Stream(s) of our services/works rendered	Length of business relationship <i>(approximately)</i>	Credit term	Payment method	Revenue <i>(MOP'000)</i>	Percentage to total revenue <i>(%)</i>
1	ACEL ^(Note 1)	Macau incorporated company principally engaging in mechanical, electrical engineering and maintenance works in Macau. Incorporated in 2006, ACEL is the contractor for a number of sizeable hotel projects in Macau, according to Frost & Sullivan	LV systems works, HVAC systems works and ELV systems works	9 years	45 days	Cheque	88,148	40.4
2	Customer D ^(Note 2)	A developer, owner and operator of integrated entertainment resort facilities in Asia whose shares are listed on the Nasdaq Stock Market with a market capitalisation of over US\$9.1 billion as at the Latest Practicable Date. Based on the annual report of its ultimate holding company for the year ended 31 December 2019, Customer D operates (i) a casino hotel located at Taipa, Macau; (ii) an integrated urban casino resort located in Cotai, Macau; and (iii) the largest non-casino based operations of electronic gaming machines in Macau. It also majority owns and operates a cinematically themed integrated entertainment, retail and gaming resort in Cotai, Macau	LV systems works, HVAC systems works and ELV systems works	3 years	30 or 45 days	Telegraphic transfer	63,651	29.2

BUSINESS

Ranking	Customer	Background and principal business	Stream(s) of our services/works rendered	Length of business relationship (approximately)	Credit term	Payment method	Revenue (MOP'000)	Percentage to total revenue (%)
3	Customer E	Macau incorporated company principally engaging in providing commercial funding management, administrative management and investment corporate management and a subsidiary of a company whose shares are listed on the Main Board of the Stock Exchange with a market capitalisation of over HK\$133.3 million as at the Latest Practicable Date. According to Frost & Sullivan, the parent company of Customer E was one of the top three catering and services groups in Macau by revenue in 2019 with an approximate market share of 5.0%	LV systems works and HVAC systems works	2 years	28 days	Cheque	23,045	10.6
4	Customer C	Macau incorporated company principally engaging in the provision of engineering and maintenance services in Macau. Incorporated in 2007, its customers include Macau governmental bodies, hotels and other companies. It was awarded several public sector projects in 2018 including but not limited to (i) the renovation project for the University of Macau; and (ii) the renovation project for the Flor de Lótus Bike Path (蓮花單車徑)	LV systems works, HVAC systems works and ELV systems works	7 years	On demand	Cheque	19,181	8.8

BUSINESS

Ranking	Customer	Background and principal business	Stream(s) of our services/works rendered	Length of business relationship (approximately)	Credit term	Payment method	Revenue (MOP'000)	Percentage to total revenue (%)
5	Customer B	Macau incorporated company principally engaging in construction projects, design, urban planning and the provision of consulting services in Macau. Incorporated in 2003, the parent company of Customer B was the second largest fitting out contractor in Macau by revenue in 2019 with an approximate market share of 2.0%, according to Frost & Sullivan, and a company whose shares are listed on the Main Board of the Stock Exchange with a market capitalisation of over HK\$492.0 million as at the Latest Practicable Date	LV systems works, HVAC systems works, ELV systems works and maintenance and repair services	8 years	35 days	Cheque	10,062	4.6
Total							204,088	93.5

Notes:

- (1) To the best of our Directors' knowledge, as at the Latest Practicable Date, save that (i) the shareholder of ACEL is the daughter of one of the shareholders of Supplier G; and (ii) the director of ACEL is also a director of Supplier G, there is no other existing relationship between ACEL and Supplier G. Our Directors confirm that, with respect to the projects undertaken by our Group for ACEL during the Track Record Period, we did not engage nor did ACEL nominate Supplier G as our supplier to provide any materials.
- (2) Customer D represents five entities belonging to the same group (including Customer D1, Customer D2 and Customer D3 as identified in "Notes to the historical financial information – 6. Revenue and segment information – (v) Information about major customers" in Appendix I to this prospectus). Save for Customer D1 which contributed approximately MOP60.1 million to our Group's total revenue for the year ended 31 December 2018, none of the five entities under Customer D contributed to over 10% of our Group's total revenue for the year ended 31 December 2018.

BUSINESS

Details of our top five customers for the year ended 31 December 2019 are set forth below:

Ranking	Customer	Background and principal business	Stream(s) of our services/works rendered	Length of business relationship (approximately)	Credit term	Payment method	Revenue (MOP'000)	Percentage to total revenue (%)
1	Customer D ^(Note 1)	A developer, owner and operator of integrated entertainment resort facilities in Asia whose shares are listed on the Nasdaq Stock Market with a market capitalisation of over US\$9.1 billion as at the Latest Practicable Date. Based on the annual report of its ultimate holding company for the year ended 31 December 2019, Customer D operates (i) a casino hotel located at Taipa, Macau; (ii) an integrated urban casino resort located in Cotai, Macau; and (iii) the largest non-casino based operations of electronic gaming machines in Macau. It also owns a majority stake in and operates a cinematically themed integrated entertainment, retail and gaming resort in Cotai, Macau	LV systems works, HVAC systems works and ELV systems works	3 years	30 or 45 days	Telegraphic transfer	72,594	30.5
2	ACEL ^(Note 2)	Macau incorporated company principally engaging in mechanical, electrical engineering and maintenance works in Macau. Incorporated in 2006, ACEL is the contractor for a number of sizeable hotel projects in Macau, according to Frost & Sullivan	LV systems works, HVAC systems works and ELV systems works	9 years	45 days	Cheque	58,759	24.7
3	Customer F	Macau incorporated company principally engaging in provision of design and construction solutions and engineering consulting services	HVAC systems works	2 years	On demand	Cheque	52,460	22.1

BUSINESS

Ranking	Customer	Background and principal business	Stream(s) of our services/works rendered	Length of business relationship (approximately)	Credit term	Payment method	Revenue (MOP'000)	Percentage to total revenue (%)
4	Customer A	Macau incorporated company principally engaging in the provision of construction and engineering services in Macau, in particular, (i) structural steelworks, civil engineering construction, and fitting out and renovation works; (ii) high voltage power substation construction and its system installation works; and (iii) facilities management, alteration and maintenance works and services, and a subsidiary of a company whose shares are listed on the Main Board of the Stock Exchange with a market capitalisation of over HK\$1.4 billion as at the Latest Practicable Date. According to Frost & Sullivan, the parent company of Customer A was the fifth largest civil engineering works contractor in Macau with an approximate market share of 0.9% in terms of revenue in 2019	LV systems works, HVAC systems works and ELV systems works	8 years	45 days	Cheque	12,371	5.2
5	Customer G	Macau incorporated company principally engaging in interior decoration and construction	HVAC systems works and ELV systems works	3 years	On demand	Cheque	12,057	5.1
Total							208,241	87.6

Notes:

- (1) Customer D represents five entities belonging to the same group (including Customer D1, Customer D2 and Customer D3 as identified in “Notes to the historical financial information – 6. Revenue and segment information – (v) Information about major customers” in Appendix I to this prospectus). Save for Customer D1 which contributed approximately MOP53.2 million to our Group’s total revenue for the year ended 31 December 2019, none of the five entities under Customer D contributed to over 10% of our Group’s total revenue for the year ended 31 December 2019.
- (2) To the best of our Directors’ knowledge, as at the Latest Practicable Date, save that (i) the shareholder of ACEL is the daughter of one of the shareholders of Supplier G; and (ii) the director of ACEL is also a director of Supplier G, there is no other existing relationship between ACEL and Supplier G. Our Directors confirm that, with respect to the projects undertaken by our Group for ACEL during the Track Record Period, we did not engage nor did ACEL nominate Supplier G as our supplier to provide any materials.

BUSINESS

Details of our top five customers for the two months ended 29 February 2020 are set forth below:

Ranking	Customer	Background and principal business	Stream(s) of our services/works rendered	Length of business relationship (approximately)	Credit term	Payment method	Revenue (MOP'000)	Percentage to total revenue (%)
1	Customer D ^(Note)	A developer, owner and operator of integrated entertainment resort facilities in Asia whose shares are listed on the Nasdaq Stock Market with a market capitalisation of over US\$9.1 billion as at the Latest Practicable Date. Based on the annual report of its ultimate holding company for the year ended 31 December 2019, Customer D operates (i) a casino hotel located at Taipa, Macau; (ii) an integrated urban casino resort located in Cotai, Macau; and (iii) the largest non-casino based operations of electronic gaming machines in Macau. It also owns a majority stake in and operates a cinematically themed integrated entertainment, retail and gaming resort in Cotai, Macau	LV systems works, HVAC systems works and ELV systems works	3 years	30 or 45 days	Telegraphic transfer	41,680	85.9
2	Customer F	Macau incorporated company principally engaging in provision of design and construction solutions and engineering consulting services	HVAC systems works	2 years	On demand	Cheque	3,249	6.7
3	Customer A	Macau incorporated company principally engaging in the provision of construction and engineering services in Macau, in particular, (i) structural steelworks, civil engineering construction, and fitting out and renovation works; (ii) high voltage power substation construction and its system installation works; and (iii) facilities management, alteration and maintenance works and services, and a subsidiary of a company whose shares are listed on the Main Board of the Stock Exchange with a market capitalisation of over HK\$1.4 billion as at the Latest Practicable Date. According to Frost & Sullivan, the parent company of Customer A was the fifth largest civil engineering works contractor in Macau with an approximate market share of 0.9% in terms of revenue in 2019	LV systems works, HVAC systems works and ELV systems works	8 years	45 days	Cheque	1,148	2.4

BUSINESS

Ranking	Customer	Background and principal business	Stream(s) of our services/works rendered	Length of business relationship (approximately)	Credit term	Payment method	Revenue (MOP'000)	Percentage to total revenue (%)
4	Customer H	Macau incorporated company principally engaging in civil construction	HVAC systems works	1 year	On demand	Cheque	692	1.4
5	Customer I	Macau incorporated company principally engaging in construction engineering	HVAC systems works	4 years	30 days	Cheque	430	0.9
Total							47,199	97.3

Note: Customer D represents five entities belonging to the same group (including Customer D1, Customer D2 and Customer D3 as identified in “Notes to the historical financial information – 6. Revenue and segment information – (v) Information about major customers” in Appendix I to this prospectus). Save for Customer D1, Customer D2 and Customer D3 which contributed approximately MOP16.8 million, MOP18.8 million and MOP5.5 million, respectively, to our Group’s total revenue for the two months ended 29 February 2020, none of the five entities under Customer D contributed to over 10% of our Group’s total revenue for the two months ended 29 February 2020.

During the Track Record Period,

- (a) the revenue derived from our top five customers collectively accounted for approximately 93.7%, 93.5%, 87.6% and 97.3% of our total revenue, respectively; and
- (b) the revenue derived from our largest customer accounted for approximately 57.9%, 40.4%, 30.5% and 85.9% of our total revenue, respectively.

To the best of our Directors’ knowledge, during the Track Record Period and up to the Latest Practicable Date,

- (a) all of our top five customers were Independent Third Parties;
- (b) save for Customer A, none of our top five customers were also our suppliers and/or subcontractors. Please refer to “Subcontractors – Customers who are also our subcontractors” in this section for further details; and
- (c) save for (i) our Directors, Mr. Cheong and Mr. Leong, who respectively have approximately 0.21% and 0.04% interest in the holding company of Customer A, which is listed on the Stock Exchange; and (ii) Mr. Tam, the sole shareholder of One Wesco, our Pre-IPO Investor, who has approximately 0.32% interest in the holding company of Customer D, which is listed on the Stock Exchange, none of our Directors, their respective close associates, nor any of our Shareholders who owned more than 5% of our share capital had any interest in any of our top five customers.

Concentration of customers

During the Track Record Period, Customer D was one of our top five customers and the revenue derived from Customer D amounted to approximately MOP7.8 million, MOP63.7 million, MOP72.6 million and MOP41.7 million, respectively, which accounted for approximately 4.8%, 29.2%, 30.5% and 85.9% of our total revenue, respectively. In 2017, 2018 and 2019, ACEL was one of our top five customers and the revenue derived from ACEL amounted to approximately MOP93.1 million, MOP88.1 million and MOP58.7 million, respectively, which accounted for approximately 57.9%, 40.4% and 24.7% of our total revenue, respectively.

Business with Customer D during the Track Record Period

Customer D is one of our major customers whom we have been transacting with since 2017. Customer D represents five entities belonging to the same group, the holding company of which is a developer, owner and operator of integrated entertainment resorts in Asia whose shares are listed on the Nasdaq Stock Market with a market capitalisation of over US\$8.1 billion as at the Latest Practicable Date. Customer D is an Independent Third Party.

Our Group first became acquainted with the project management team of Customer D during the course of execution of an E&M project located at Cotai, Macau and initiated by Customer D in 2013, in which we were engaged by ACEL, one of our major customers during the Track Record Period, to perform works as a subcontractor. Subsequently, from 2013 to 2016, we had further undertaken 10 E&M projects in its capacity as a subcontractor of which Customer D was the project owner.

In line with our business strategy to further develop our capacity as a main contractor and owing to the fact that (i) we have developed amicable business relationship with Customer D as we have demonstrated the quality, reliability and value of our works in previous projects performed directly or indirectly for Customer D; and (ii) Customer D was in the process of developing and revamping certain of its hotels and integrated entertainment resorts in Macau which involved high demands for E&M engineering services works during the Track Record Period, we were approached by Customer D in early 2017 to apply for entry to the list of approved contractors maintained by Customer D. Taking into due consideration the then-market environment of the E&M engineering services industry in Macau, our Directors were of the view that it was commercially and strategically advantageous for our overall business development to tap into the more lucrative private sector. After we have passed the qualification assessments for qualifying to become one of Customer D's approved contractors, we were able to receive direct tender/quotation invitations from Customer D and in turn, through years of established reputation, track record, accumulated experience and technical expertise, gradually and increasingly assumed the role of a main contractor in Customer D's projects to provide a combination of supply and/or installation services for LV systems works, ELV systems works and HVAC systems works during the Track Record Period.

BUSINESS

In terms of revenue contribution, Customer D was our fifth largest customer in 2017, our second largest customer in 2018 and our largest customer in 2019 and for the two months ended 29 February 2020. Our Group's revenue attributable to Customer D increased from approximately MOP7.8 million in 2017 to approximately MOP63.7 million and MOP72.6 million in 2018 and 2019, respectively. The significant increase in our revenue generated from Customer D from 2017 to 2019 was primarily attributable to the increase in our number of projects undertaken for Customer D directly from seven in 2017 to 35 and 34 in 2018 and 2019, respectively, and our performance of certain larger scale E&M projects for Customer D, such as (i) the substantial work progress of a LV systems works and HVAC systems works project for an integrated urban casino resort located in Cotai in 2018 contributing contract revenue of approximately MOP23.4 million in 2018; (ii) a LV systems works and HVAC systems works project for a Chinese mythology inspired luxury hotel in Cotai in 2018 which contributed contract revenue of approximately MOP13.0 million in 2018; (iii) the substantial work progress of an ELV systems works project for the VIP clubs of several junket operators at an integrated resort in Cotai which contributed contract revenue of approximately MOP7.5 million in 2019; (iv) the commencement of the LV systems works of an E&M project for an employee dining room at an integrated resort in Cotai in 2019 which contributed contract revenue of approximately MOP7.2 million in 2019; and (v) the commencement of Project 4 in 2019 which contributed contract revenue of approximately MOP20.8 million in 2019.

Further, Customer D contributed to approximately 85.9% of our total revenue for the two months ended 29 February 2020, which was due to the fact that substantial contract revenue was recognised under two large-scale projects with a contract sum of not less than MOP50.0 million during the short period of time, including the commencement of Project 4 in 2019 and Project 2 in 2020 which contributed contract revenue of approximately MOP14.4 million and MOP18.8 million, respectively, for the two months ended 29 February 2020.

BUSINESS

(i) *Our projects with Customer D*

The following table sets forth the details of our projects with Customer D each of which has a contract value of not less than MOP1.0 million and has contributed revenue of not less than MOP1.0 million during the Track Record Period:

Project	Contract value by our Group	Location	Year ended 31 December						Two months ended 29 February	
			2017		2018		2019		2020	
			Revenue	Gross profit	Revenue	Gross profit	Revenue	Gross profit	Revenue	Gross profit
	MOP'000		MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
D1	2,065	ELV systems works	259	52	1,807	99	-	-	-	-
D2	28,722	LV systems work and HVAC systems works	5,290	2,116	23,432	5,882	-	-	-	-
D3	2,309	ELV systems works	2,031	203	278	63	-	-	-	-
D4	2,439	ELV systems works	-	-	2,439	282	-	-	-	-
D5	2,270	ELV systems works	-	-	2,270	234	-	-	-	-

BUSINESS											
Project	Contract value	Services provided by our Group	Location	Year ended 31 December						Two months ended 29 February	
				2017		2018		2019		2020	
				Revenue	Gross profit	Revenue	Gross profit	Revenue	Gross profit	Revenue	Gross profit
				MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
	MOP'000										
D6	2,289	LV systems works	Cotai, Macau	-	-	2,289	944	-	-	-	-
D7	2,504	LV systems works	Cotai, Macau	-	-	2,504	1,312	-	(223)	-	-
D8	2,305	ELV systems works	Cotai, Macau	-	-	2,305	500	-	-	-	-
D9	13,028	LV systems works and HVAC systems works	Cotai, Macau	-	-	13,021	3,505	7	(19)	-	-
D10	1,376	LV systems works and HVAC systems works	Cotai, Macau	-	-	470	141	907	270	-	-
P4	12,111	ELV systems works	Cotai, Macau	-	-	463	135	7,527	1,025	303	74
D11	8,046	ELV systems works	Cotai, Macau	-	-	4,586	734	3,460	99	-	-

BUSINESS											
Project	Contract value	Services provided by our Group	Location	Year ended 31 December						Two months ended 29 February	
				2017		2018		2019			2020
				Revenue	Gross profit	Revenue	Gross profit	Revenue	Gross profit		
	MOP'000			MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	
D12	4,535	LV systems works	Cotai, Macau	-	-	485	116	3,231	775	-	
D13	5,636	LV systems works and ELV systems works	Cotai, Macau	-	-	1,800	432	3,454	829	-	
D14	7,300	ELV systems works	Cotai, Macau	-	-	-	-	1,834	183	612	
Project 4	51,575	LV systems works and ELV systems works	Cotai, Macau	-	-	-	-	20,784	7,274	5,034	
D15	4,487	ELV systems works	Taipa, Macau	-	-	-	-	4,069	526	-	
D16	3,908	ELV systems works	Cotai, Macau	-	-	-	-	3,908	492	-	
P6	10,349	LV systems works	Cotai, Macau	-	-	-	-	7,198	1,440	7	
										1	

BUSINESS

Project	Contract value by our Group	Services provided	Location	Year ended 31 December				Two months ended 29 February	
				2017		2018		2019	
				Revenue	Gross profit	Revenue	Gross profit	Revenue	Gross profit
				MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
		MOP'000							
D17	1,851	ELV systems works	Cotai, Macau	-	-	-	-	1,612	322
P8	5,939	LV systems works	Cotai, Macau	-	-	-	-	3,855	964
D18	1,376	ELV systems works	Cotai, Macau	-	-	-	-	1,376	301
P12	9,799	LV systems works	Cotai, Macau	-	-	-	-	2,560	384
P13	2,935	LV systems works	Taipa, Macau	-	-	-	-	1,204	241
Project 2	78,041	LV systems works	Cotai, Macau	-	-	-	-	-	-
								18,800	3,760

Note: According to Frost & Sullivan, it is not uncommon for the gross margins of an E&M project to fluctuate during the relevant project period depending on the prevailing circumstances at the time of project implementation. The budgeted gross margin of an E&M project may be adjusted depending on the actual costs incurred during the course of project implementation as a result of, among other things, (a) the actual level of subcontracting required subject to the sufficiency of our own workforce at the relevant time; (b) the actual involvement of our own workforce including its project managers and engineers subject to their capacity and workload at the relevant time; (c) the actual costs incurred for the procurement of materials subject to the availability and market prices of the relevant materials; (d) the variation orders as required by the relevant project owner or main contractor and the costs incurred in relation thereto; and/or (e) the actual project duration subject to adjustments to the project schedule by the relevant project owner or main contractor and the project site conditions. Thus, the budgeted costs and gross margins for an E&M project may be adjusted from time to time with reference to the actual costs incurred as the project progresses in accordance with our revenue recognition policy. As such, our gross margins derived from our E&M projects may fluctuate during the Track Record Period and our gross margin derived from an E&M project for a particular financial year may deviate from its overall gross margin upon project completion.

BUSINESS

(ii) *Salient terms of project contracts with Customer D*

We enter into contracts with Customer D on a project-by-project basis. We set forth below the typical terms of our contracts entered into with Customer D:

- | | | |
|--------------------------|---|--|
| Scope of work | : | The scope of services and types of works required from us, which principally include LV systems works, ELV systems works and/or HVAC systems works, are set out. The scope of work may be varied in accordance with the written instructions of Customer D or the project manager. |
| Duration of work | : | A fixed duration, which may specify the commencement date and the completion date, are specified and may be adjusted as required by or subject to the approval of Customer D or the project manager. |
| Contract sum | : | A contract sum of a fixed lump sum, which may be adjusted as agreed between Customer D and us, is generally provided. |
| Subcontracting | : | Our contracts with Customer D generally do not allow us to engage subcontractors to carry out the works unless with the prior written consent of Customer D or the project manager. |
| Insurance | : | <p>In general, Customer D is responsible for taking out contractor's all risks insurance including third party liability insurance for the duration of the project.</p> <p>We are generally responsible for obtaining insurance in relation to vehicles, machineries, materials and equipment used in connection with the project.</p> |
| Performance bonds | : | We may be required to provide performance bond, which is generally equivalent to 10% of the awarded contract sum, to Customer D within 14 days of the commencement date of the project. |

BUSINESS

- Payment terms** : We generally submit invoices to Customer D according to the progress of the project. Customer D is generally required to make payment to us within 30 or 45 days from the receipt of an invoice.
- Defect liability period** : We are subject to a defect liability period which generally commences from the practical completion of our work and lasts for 12 months.
- Retention money** : Retention money which generally amounts to 5% of the awarded contract sum may be retained by Customer D. 50% of the retention money is generally released upon practical completion of the project, and the remaining 50% is generally released upon the expiration of the defect liability period or the issue of the certificate of completion of making good defects (whichever is later).
- Safety** : We are responsible for the safety of our works and workers and are required to comply with the safety requirements as stipulated in the contract and/or as may be directed by the project manager.
- Environment protection** : We are required to comply with all relevant statutory requirements in relation to environmental protection when executing our works.

Going forward, we may directly transact with Customer D in private sector projects as we gradually assume the role of a main contractor in the E&M engineering services industry.

Business with ACEL during the Track Record Period

ACEL is one of our major customers whom we have been transacting with since our Group's first year of operation in 2011. ACEL is a construction company based in Macau that principally engages in mechanical, electrical engineering and maintenance works in Macau. According to Frost & Sullivan, ACEL is the contractor for a number of sizeable hotel projects in Macau. ACEL is an Independent Third Party.

Since 2011, ACEL had subcontracted us to provide a mix of E&M engineering services mainly in their private sector projects. During the Track Record Period, we were subcontracted to provide supply and/or installation services for LV systems works and HVAC systems works. Based on our revenue contributed by ACEL during the Track Record Period, ACEL was our largest customer in 2017 and 2018 and our second largest customer in 2019. We may transact with ACEL in private sector projects in the future should business opportunities arise.

Reasons for customer concentration

In general, our Directors are of the view that customer concentration is a common occurrence within the construction industry. Where construction projects are of a large-scale and size, such as those related to integrated entertainment resorts in Macau or public works projects, it is not uncommon for such projects to contribute a significant portion of revenue to a contractor's revenue. As such, contractors focus and allocate the majority of their resources, capacity and available manpower on such projects of a considerable contract value in order to devote their efforts into building and developing key customer relationships.

Our Directors consider and as stated in the Industry Report, as quality and control of workmanship, speed and efficiency and ability to adhere to contractual time schedules are matters of paramount importance to project owners and property developers, they tend to engage contractors who have a good reputation and solid track record whom they can trust to deliver, thus resulting in repeated engagements of the same contractors, and thereby narrowing our customer base. Our Directors believe that, as the business relationship between the parties mature, the mutual benefits in the relationship become further pronounced, and as such, we are able to better anticipate the needs of our repeat customers, and they are in turn better able to gauge the performance to be expected from us. As such, it is not uncommon for our major customers to contribute a lion's share of our revenue during the Track Record Period.

Sustainability of our business

Our Directors believe that our businesses are sustainable and our Group is able to diversify our customer base notwithstanding such concentration of customers due to the following reasons:

- (i) the ranking and composition of our top five customers during the Track Record Period were different. Our Directors are of the view that we did not place any undue reliance on any particular one of them during the Track Record Period for revenue generation;
- (ii) we have strived to broaden and diversify our customer base from time to time for our business expansion. This is generally achieved through our active participation in submitting tenders and quotations and receiving referrals when other contractors have no capacity to take up the E&M projects. During the Track Record Period and up to the Latest Practicable Date, we had been engaged by 15 new customers, one of which was a wholly-owned subsidiary of a food and beverage company whose shares are listed on the Main Board of the Stock Exchange, being Customer E. With our continued efforts, as well as our proven track record and established reputation in the construction industry, our business has been healthily developing and the number of customers which contributed revenue to our Group's total revenue during the Track Record Period remained stable, which increased from 18 in 2017 to 21 in 2019 and our Group's total revenue had increased from approximately MOP160.8 million in 2017 to approximately MOP237.7 million in 2019. This demonstrates our ability in securing contracts from new customers, and not only from repeat customers;

- (iii) we have a good and solid relationship with our existing customers, some of whom we have been collaborating for more than seven years. Our Directors believe that our relationships with such long-standing customers are built on the foundations of trust in the quality of our E&M engineering services works, and will continue to pave the way for our future transactions with them;
- (iv) as we intend to develop our capacity as a main contractor in E&M projects and/or to participate in more large-scale construction projects, we have proactively sought opportunities from and submitted tenders/quotations to both our existing customers and potential new customers in order to maintain a diversified customer base. We have been actively participating in tender/quotation submissions in E&M projects within both the private and public sectors and had submitted 66, 97, and 89 tenders/quotations in 2017, 2018 and 2019, respectively, of which 43, 54 and 68, respectively, were submitted in our role as a main contractor and 22, 24 and 17, respectively, were submitted to customers or potential new customers other than our top five customers during the Track Record Period. Our Group has assumed the role of subcontractor since our inception and has cultivated amicable business relationships with main contractors directly. Leveraging on our reputation and goodwill in the industry and through demonstrating the quality, reliability and value of our works in previous projects, we have gradually assumed the role of a main contractor and progressively established direct business relationships with the project owners. Our Directors are of the view that, by submitting tenders/quotations to project owners to further cultivate our capacity as a main contractor, we will be able to build up a balanced and diversified customer portfolio which comprises both main contractors and project owners. Owing to the increase in the number of tender/quotation submissions in our role as a main contractor, our number of projects which contributed revenue to our total revenue during the Track Record Period and of which our customers were project owners increased from 15 for the year ended 31 December 2017 to 51 for the year ended 31 December 2019. Our Directors also consider that participating in large-scale construction projects will raise our corporate profile and solidify our reputation and network in the industry, thereby allowing us to explore and capture more business opportunities with potential new customers in the future;
- (v) we have been operating in the E&M engineering services industry in Macau for more than nine years and have established solid business reputation and network within the industry. As confirmed by Frost & Sullivan, the development and success of an E&M engineering services works contractor in Macau depends principally on word-of-mouth referrals. Our Directors consider that our proven track record and established reputation in the industry will enable us to continue expanding our customer base;

- (vi) with the assistance from Frost & Sullivan, we have identified the upcoming market opportunities with potential new customers within the Macau construction industry and will actively pursue such upcoming opportunities and take part in such construction projects. Our Directors are of the view that in the event any of our major customers substantially reduce their business with us, in light of the opportunities within the Macau construction industry, we would be able to refocus our resources towards and commit to alternative customers and projects instead;
- (vii) our E&M projects are generally non-recurring in nature, and are entered into on a project-by-project basis. There are no restraining clauses within our contracts with our customers that prohibit us from developing business relationship with new customers. As such we are at liberty to engage in further E&M projects with new customers and to expand our customer base;
- (viii) given that we (a) provide a comprehensive mix of E&M engineering services works which generally involve a combination of the supply and/or installation of (1) LV systems works; (2) HVAC systems works; and (3) ELV systems works, and the relevant testing and commissioning and repairs and maintenance services; and (b) had an established track record in both public and private sectors, our Directors believe that we have the capability and are well positioned to capture market opportunities arising from demand for E&M engineering services works; and
- (ix) through the implementation of the future plans and the use of the net proceeds raised from the proposed Listing, our Directors believe that with the additional machineries and the additional skilled labour, we will be better equipped to capture potential business opportunities in terms of the increased capacity in the number of projects we can work on in a given period, as well as the scale of projects which we can participate as a main contractor. The enhanced resources would provide us with the capability in allocating and refocusing the resources among different customers and projects and diversification of customer base as mentioned above.

Salient terms of project contracts with our customers

We enter into contracts with our customers on a project-by-project basis. We do not enter into long-term contracts with our customers. Our Directors believe that such contractual arrangements are in line with industry practices in Macau. We set forth the typical terms of our contracts entered into with our customers below:

Scope of work	:	The scope of services and types of works required from us, which principally include E&M engineering services works, will be set out.
----------------------	---	---

BUSINESS

Duration of work : A fixed duration, which may specify the commencement date and/or completion date, during which we shall carry out and complete the our works will be specified. The duration may be adjusted based on the project schedule as agreed between our customer and the project owner.

In cases where the commencement date is not stipulated in the contract, we shall commence our works upon written notice of our customer.

Contract sum : A fixed lump sum contract sum, which is not adjustable unless due to our customer's specific request of materials and/or products, will generally be provided.

Subcontracting : Our contracts generally do not allow us to engage subcontractors to carry out the works unless with express consent of our customers.

Insurance : In general, main contractors are responsible for subcontractors' all risks insurance, employees' compensation insurance and third party insurance, which together cover the liabilities that may incurred by the customers and their subcontractors.

Subcontractors are generally responsible for obtaining insurance in relation to their machineries, materials and equipment.

In relation to our maintenance contracts, we are usually required to obtain employees' compensation insurance for our workers.

Performance bond : Our contracts generally do not require us to provide our customers with performance bonds when acting as a subcontractor, while we are generally required to provide our customer with performance bonds when acting as a main contractor.

Payment terms : For further details regarding payment terms, please refer to "Customers – Credit terms" in this section.

BUSINESS

Defect liability period : We are subject to a defect liability period which generally commences from the practical completion of our works and lasts for 12 to 24 months. During the defect liability period, we are responsible for rectifying any defective works or for bearing any costs arise therein. Our customers may deduct such costs from the retention money.

Retention money : Retention money which ranges from 5% to 10% of the awarded contract sum will be retained by our customer and will be generally released to us in full upon expiry of the defect liability period.

In some cases, the retention money will be partly released upon issuance of the provisional acceptance certificate and the remaining balance will be fully released upon expiry of the defect liability period and/or the employer's final inspection and acceptance of the works.

Some of our contracts may not provide for retention monies.

Safety : We are required to comply with the applicable labour safety laws and regulations and to ensure that our workers have adopted adequate safety measures.

We are responsible for any costs and/or liabilities which may arise due to injuries or death of our workers. Some contracts may provide for penalties in the event of breach of the safety provisions, which include fines and termination of contracts.

Environmental protection : We are required to comply with the laws and regulations in relation to environmental protection.

Credit terms

Our credit terms with our customers are generally set out in the relevant contracts. We generally submit invoices to our customers according to the progress of the project. Our customers generally have a period of 30 days to verify our invoice, following which, they are generally required to make payment to us within 15 days. Our customers generally settle our invoices by bank cheques denominated in Macanese patacas.

BUSINESS

We monitor our overdue trade receivables on a regular basis. Where appropriate, we provide for the impairment of our trade receivables. During the Track Record Period, we had not made any provision for impairment loss on our trade receivables.

Pricing strategy

The pricing of our E&M projects directly impacts our revenue, gross profit and cash flows. We assess the feasibility of undertaking the E&M project on a project-by-project basis and estimate the costs required by the project by taking into account factors such as the customer, the nature or scope of the project, the site location, the manpower required, the requisite materials and equipment, the level of technical complexity, the scale and duration of the E&M project, our available manpower and financial resources, the estimated costs, the budgeted profit margin, the competition which our Group is up against and the prevailing market conditions. Please refer to “Our operating procedures – Project assessment and bidding phase” in this section for further details of our tendering process.

We generally prepare our quotations by imposing a mark-up margin over our estimated costs, which varies from project to project, after taking into account factors, such as the background of the customer, the nature and scale of the E&M project, the level of competition faced from other potential contractors, prevailing market condition, the availability of subcontractors, the level of technical difficulty involved in the E&M project, any possible positive effect on our corporate image, and the likelihood of any material deviation of the actual cost from our estimation having regard to the price trend of raw materials.

Our Directors confirm that our Group had not experienced any material loss-making projects or costs overruns during the Track Record Period.

PROCUREMENT AND RAW MATERIALS

Our major materials include cables and lighting fittings, distribution boxes and modular cabinets, air diffusers, extractor fans, variable refrigerant volume units, and low-voltage UPS systems. The procurement of our supplies is not subject to any seasonality changes.

SUPPLIERS

We source our raw materials and supplies on a needs basis as required by each project, and we do not enter into any long term supply agreement with our suppliers. We make all our purchases according to the needs and specifications of each project including our power cables which we purchase from Europe (which typically requires a lead time of at least two months). Our Directors believe that our procurement policy keeps our inventory to a minimum, and is in line with the industry practice.

When identifying suitable suppliers in sourcing materials and supplies for our projects, we focus mainly on the specifications required for the project and by the project owner. If the project owner requests and specifies certain brands of materials and supplies, our procurement

BUSINESS

team makes the necessary arrangements to procure our materials and supplies from the nominated brands. If the project or project owner sets out the specifications of the materials or supplies needed, we will identify and locate the appropriate suppliers in the market for quotations and purchases.

Save for power cables which we mainly purchase from Europe, we generally source our supplies and materials in Hong Kong and Macau. We generally require our suppliers to deliver the supplies directly to the construction site.

Major suppliers

Details of our top five suppliers for the year ended 31 December 2017 are set forth below:

Ranking	Supplier	Background and principal business	Products supplied	Length of business relationship <i>(approximately)</i>	Credit term	Payment method	Purchases <i>(MOP'000)</i>	Percentage to total purchases <i>(%)</i>
1	Supplier A	Macau incorporated company principally engaged in the HVAC business	Variable refrigerant volume units	4 years	30 days	Cheque	2,026	10.0
2	Supplier B	Hong Kong incorporated company principally engaged in distributing information technology products	Network switches	3 years	Before delivery	Telegraphic transfer	1,750	8.7
3	Supplier C	Hong Kong incorporated company principally engaged in selling and supplying HVAC equipment	Air handling units and heat pumps	6 years	Before delivery	Cheque	1,634	8.1
4	Supplier D	Macau incorporated company principally engaged in supplying lighting equipment	Downlights and other lighting equipment	3 years	30 days	Cheque	1,306	6.5
5	Supplier E	Macau incorporated company principally engaged in supplying light equipment, and providing lighting design and electrical and mechanical services	Lighting fittings	4 years	Upon delivery	Cheque	1,237	6.1
Total							<u>7,953</u>	<u>39.4</u>

BUSINESS

Details of our top five suppliers for the year ended 31 December 2018 are set forth below:

Ranking	Supplier	Background and principal business	Products supplied	Length of business relationship (approximately)	Credit term	Payment method	Purchase (MOP'000)	Percentage to total purchases (%)
1	Supplier F	Macau incorporated company principally engaging in supply and installation of electronic equipment and video surveillance systems as well as software development and distribution	Dome cameras and memory cards	2 years	Upon delivery	Cheque	8,302	18.8
2	Supplier G ^(Note 1)	Macau incorporated company principally engaging in electrical engineering	Air ducts and accessories	8 years	Monthly invoice	Cheque	3,755	8.5
3	Supplier H ^(Note 2)	Macau incorporated company principally engaging in computer trading, computer repair and maintenance and installation services	Structured cabling systems, data network infrastructure and other ELV systems	2 years	30 days or upon delivery	Cheque	3,755	8.5
4	Supplier I	a sole proprietor in Hong Kong engaged in the provision of LED lighting products	LED lighting products	3 years	Before delivery	Telegraphic transfer	2,456	5.6
5	Supplier J	Portugal incorporated company, which is a subsidiary of a company whose shares are listed on the Italian Stock Exchange in the FTSE MIB index with a market capitalisation of over EUR6.01 billion as at the Latest Practicable Date, and is a leading manufacturer of cables and systems	Cables	5 years	Upon delivery	Telegraphic transfer	2,364	5.4
Total							20,632	46.7

Notes:

- (1) To the best of our Directors' knowledge, as at the Latest Practicable Date, save that (i) the shareholder of ACEL is the daughter of one of the shareholders of Supplier G; and (ii) the director of ACEL is also a director of Supplier G, there is no other existing relationship between ACEL and Supplier G. Our Directors confirm that, with respect to the projects undertaken by our Group for ACEL during the Track Record Period, we did not engage nor did ACEL nominate Supplier G as our supplier to provide any materials.
- (2) Supplier H was also our subcontractor for our ELV systems works during the Track Record Period.

BUSINESS

Details of our top five suppliers for the year ended 31 December 2019 are set forth below:

Ranking	Supplier	Background and principal business	Products supplied	Length of business relationship (approximately)	Credit term	Payment method	Purchase (MOP'000)	Percentage to total purchases (%)
1	Supplier A	Macau incorporated company principally engaging in the HVAC business	Variable refrigerant volume units	4 years	30 days	Cheque	13,040	25.7
2	Supplier H ^(Note 1)	Macau incorporated company principally engaging in computer trading, computer repair and maintenance and installation services	Structured cabling systems, data network infrastructure and other ELV systems	2 years	30 days or upon delivery	Cheque	4,110	8.1
3	Supplier G ^(Note 2)	Macau incorporated company principally engaging in electrical engineering	Air ducts and accessories	8 years	Monthly invoice	Cheque	3,041	6.0
4	Supplier K	Hong Kong incorporated company principally engaging in sales of building control systems and air conditioning systems	Distribution boxes	less than 1 year	14 days	Telegraphic transfer	2,371	4.7
5	Supplier F	Macau incorporated company principally engaging in supply and installation of electronic equipment and video surveillance systems as well as software development and distribution	Dome cameras and memory cards	2 years	Upon delivery	Cheque	2,058	4.1
Total							24,620	48.5

Notes:

- (1) Supplier H was also our subcontractor for our ELV systems works during the Track Record Period.
- (2) To the best of our Directors' knowledge, as at the Latest Practicable Date, save that (i) the shareholder of ACEL is the daughter of one of the shareholders of Supplier G; and (ii) the director of ACEL is also a director of Supplier G, there is no other existing relationship between ACEL and Supplier G. Our Directors confirm that, with respect to the projects undertaken by our Group for ACEL during the Track Record Period, we did not engage nor did ACEL nominate Supplier G as our supplier to provide any materials.

BUSINESS

Details of our top five suppliers for the two months ended 29 February 2020 are set forth below:

Ranking	Supplier	Background and principal business	Products supplied	Length of business relationship (approximately)	Credit term	Payment method	Purchase (MOP'000)	Percentage to total purchases (%)
1	Supplier L	Hong Kong incorporated company principally engaging in providing solutions for lighting control and building automation systems	Room control units	2 years	30 days or upon delivery	Telegraphic transfer	3,662	51.0
2	Supplier M	Hong Kong incorporated company principally engaging in providing information technology consultancy services	Power cables	1 year	Before delivery	Telegraphic transfer	755	10.5
3	Supplier A	Macau incorporated company principally engaging in the HVAC business	Variable refrigerant volume units	4 years	30 days	Cheque	606	8.5
4	Supplier H ^(Note)	Macau incorporated company principally engaging in computer trading, computer repair and maintenance and installation services	Structured cabling systems, data network infrastructure and other ELV systems	2 years	30 days or upon delivery	Cheque	499	7.0
5	Supplier N	Macau incorporated company principally engaging in audiovisual and video conferencing business	LCD video wall systems	less than 1 year	Before delivery	Telegraphic transfer	361	5.0
Total							<u>5,883</u>	<u>82.0</u>

Note: Supplier H was also our subcontractor for our ELV systems works during the Track Record Period.

During the Track Record Period,

- (a) the purchases from our top five suppliers collectively accounted for approximately 39.4%, 46.7%, 48.5% and 82.0% of our total purchases, respectively; and
- (b) the purchases from our largest supplier accounted for approximately 10.0%, 18.8%, 25.7% and 51.0% of our total purchases, respectively.

BUSINESS

To the best of our Directors' knowledge, during the Track Record Period and up to the Latest Practicable Date,

- (a) all of our top five suppliers were Independent Third Parties;
- (b) save for Supplier H who was also our subcontractor, none of our top five suppliers were also our customers and/or subcontractors; and
- (c) none of our Directors, their respective close associates, nor any of our Shareholders who owned more than 5% of our share capital had any interest in any of our top five suppliers.

Salient terms of our purchases with our suppliers

During the Track Record Period, we did not enter into any long-term agreements with our suppliers. Our purchases are made with our suppliers on a project-by-project basis. We usually confirm our orders with our suppliers by approving and accepting their quotations or placing our purchase orders. The salient terms of the order are usually set out in the quotations, which are summarised below:

Materials/machineries/ equipment specification	:	Descriptions of the materials/machineries/equipment, and their specifications and quantity will be set out.
Delivery	:	Timing and terms of delivery are specified, which generally range from three to eight weeks within the confirmation of the order except for materials which have longer lead time.
Pricing	:	Unit prices, the quantity purchased, and total price of the purchase, and the validity period of the price quotations are set out in the quotation.
Payment terms	:	Payment terms are stipulated in the quotation.

SUBCONTRACTORS

Depending on the scale and complexity of a particular project, and the availability of our labour resources at the time, we may delegate certain works to subcontractors. For example, the installation of ELV equipment requires a specialist knowledge of the product, and such ELV equipment is generally sold and installed by the exclusive agents or distributors of the ELV equipment brand owners or manufacturers themselves. On the other hand, the installation of HVAC equipment is piecemeal in nature and therefore we would subcontract such works out if we consider it not commercially justifiable to employ a team of direct labour particularly for the installation of HVAC equipment based on the availability of our workers. Our Directors

BUSINESS

believe that the engagement of subcontractors with the requisite experience and expertise will ensure that the contracted works are carried out efficiently, hence may increase our overall efficiency and reduce our overall operating costs if our available workers do not have the required expertise and skills.

According to our internal policy, we select our subcontractors based on a number of criteria, including, among others, their expertise and suitability, our past working relationship with them, their relationship with the customer and their familiarity with the project site, price quotation, and the quality and reliability of their services provided. As at the Latest Practicable Date, we maintained a list of 51 approved subcontractors. During the Track Record Period, our subcontracting costs amounted to approximately MOP84.3 million, MOP105.9 million, MOP114.6 million and MOP26.7 million, respectively, representing approximately 71.7%, 63.0%, 62.1% and 72.9% of our total cost of services, respectively. Our Directors confirm that our Group had not experienced any material disputes with our subcontractors during the Track Record Period.

Major subcontractors

Details of our top five subcontractors for the year ended 31 December 2017 are set forth below:

Ranking	Subcontractor	Background information and principal business	Stream(s) of services provided to us	Length of business relationship (approximately)	Credit term	Payment method	Subcontracting costs (MOP'000)	Percentage to total subcontracting costs (%)
1	Subcontractor A	Sole proprietor principally engaging in HVAC and electrical system installation and maintenance	HVAC systems works	4 years	45 days	Cheque	31,437	37.3
2	Subcontractor B	Macau incorporated company principally engaging in installation of water and electrical equipment	HVAC systems works	4 years	45 days	Cheque	21,146	25.1
3	Subcontractor C	Macau incorporated company principally engaging in construction, decoration and renovation and retailing and wholesaling of building materials	LV systems works	3 years	45 days	Cheque	9,180	10.9
4	Subcontractor D	Macau incorporated company principally engaging in steel structures installation and construction works and sales of steel structures materials	ELV systems works	3 years	45 days	Cheque	8,922	10.6
5	Subcontractor E	Sole proprietor principally engaging in the provision of renovation services	ELV systems works	3 years	45 days	Cheque	3,714	4.4
Total							74,399	88.3

BUSINESS

Details of our top five subcontractors for the year ended 31 December 2018 are set forth below:

Ranking	Subcontractor	Background and principal business	Stream(s) of services provided to us	Length of business relationship (approximately)	Credit term	Payment method	Subcontracting costs (MOP'000)	Percentage to total subcontracting costs (%)
1	Subcontractor A	Sole proprietor principally engaging in HVAC and electrical system installation and maintenance	HVAC systems works	4 years	45 days	Cheque	41,540	39.2
2	Subcontractor F (Note 1)	Macau incorporated company principally engaging in digital system engineering businesses	ELV systems works and maintenance and repair works	9 years	30 days or upon completion	Cheque	9,857	9.3
3	Subcontractor B	Macau incorporated company principally engaging in installation of water and electrical equipment	HVAC systems works	4 years	45 days	Cheque	9,536	9.0
4	Customer A ^(Note 2)	Macau incorporated company principally engaging in the provision of construction and engineering services in Macau and a subsidiary of a company whose shares are listed on the Main Board of the Stock Exchange with a market capitalisation of over HK\$1.4 billion as at the Latest Practicable Date. According to Frost & Sullivan, the parent company of Customer A was the fifth largest civil engineering works contractor in Macau with an approximate market share of 0.9% in terms of revenue in 2019	Others ^(Note 2)	8 years	14 days	Cheque	8,439	8.0
5	Subcontractor G	Macau incorporated company principally engaging in ELV solution services and installations	ELV systems works	3 years	30 days	Cheque	5,774	5.5
Total							75,146	71.0

Notes:

- (1) Subcontractor F was also our supplier for our ELV systems supplies during the Track Record Period.
- (2) Customer A was nominated by our customer as our subcontractor for a large-scale LV systems works and HVAC systems works project to provide design services. For further details, please refer to “Customers who are also our subcontractor – Our business with Customer A” in this section.

BUSINESS

Details of our top five subcontractors for the year ended 31 December 2019 are set forth below:

Ranking	Subcontractor	Background and principal business	Stream(s) of services provided to us	Length of business relationship (approximately)	Credit term	Payment method	Subcontracting costs (MOP'000)	Percentage to total subcontracting costs (%)
1	Subcontractor G (Note)	Macau incorporated company principally engaging in ELV solution services and installations	ELV systems works	3 years	30 days	Cheque	19,273	16.8
2	Subcontractor H	Macau incorporated company principally engaging in air-conditioning installation	HVAC systems works	9 years	45 days	Cheque	17,926	15.6
3	Subcontractor A	Sole proprietor principally engaging in HVAC and electrical system installation and maintenance	HVAC systems works	4 years	45 days	Cheque	9,960	8.7
4	Subcontractor F (Note)	Macau incorporated company principally engaging in digital system engineering businesses	ELV systems works and maintenance and repair works	9 years	30 days or upon completion	Cheque	9,677	8.4
5	Subcontractor I	Macau incorporated company principally engaging in providing electrical accessories installation services	HVAC systems works	2 years	45 days	Cheque	6,990	6.1
Total							63,825	55.7

Note: Subcontractor F and Subcontractor G were also our suppliers for our ELV systems supplies during the Track Record Period.

Details of our top five subcontractors for the two months ended 29 February 2020 are set forth below:

Ranking	Subcontractor	Background and principal business	Stream(s) of services provided to us	Length of business relationship (approximately)	Credit term	Payment method	Subcontracting costs (MOP'000)	Percentage to total subcontracting costs (%)
1	Subcontractor G (Note)	Macau incorporated company principally engaging in ELV solution services and installations	ELV systems works	3 years	30 days	Cheque	8,687	32.5
2	Subcontractor A	Sole proprietor principally engaging in HVAC and electrical system installation and maintenance	HVAC systems works	4 years	45 days	Cheque	5,613	21.0
3	Subcontractor J	Macau incorporated company principally engaging in providing E&M engineering services	LV systems works	1 year	45 days	Cheque	5,158	19.3
4	Subcontractor B	Macau incorporated company principally engaging in installation of water and electrical equipment	HVAC systems works	4 years	45 days	Cheque	4,653	17.4
5	Subcontractor H	Macau incorporated company principally engaging in air-conditioning installation	HVAC systems works	9 years	45 days	Cheque	1,028	3.8
Total							25,139	94.0

Note: Subcontractor G was our supplier for our ELV systems supplies during the Track Record Period.

BUSINESS

During the Track Record Period,

- (a) the subcontracting costs paid to our top five subcontractors collectively accounted for approximately 88.3%, 71.0%, 55.7% and 94.0% of our total subcontracting costs, respectively; and
- (b) the subcontracting costs paid to our largest subcontractor accounted for approximately 37.3%, 39.2%, 16.8% and 32.5% of our total subcontracting costs, respectively.

To the best of our Directors' knowledge, during the Track Record Period and up to the Latest Practicable Date,

- (a) all of our top five subcontractors were Independent Third Parties;
- (b) Subcontractor F represents two entities which are ultimately controlled by the same shareholder;
- (c) save for Customer A who was also our subcontractor and Subcontractor F and Subcontractor G who were also our suppliers, none of our top five subcontractors were also our suppliers and/or customers. Please refer to "Subcontractors – Customer who is also our subcontractor" in this section for further details of our relationship with Customer A; and
- (d) save for our Directors, Mr. Cheong and Mr. Leong, who respectively have approximately 0.21% and 0.04% interest in the holding company of Customer A, which is listed on the Stock Exchange, none of our Directors, their respective close associates, nor any of our Shareholders who owned more than 5% of our share capital had any interest in any of our top five subcontractors.

Concentration of subcontractors

For the Track Record Period, our five largest subcontractors accounted for approximately 88.3%, 71.0%, 55.7% and 94.0% of our total subcontracting costs, respectively, whereas our largest subcontractor accounted for approximately 37.3%, 39.2%, 16.8% and 32.5% of our total subcontracting costs, respectively.

Despite such concentration of subcontractors, our Directors consider that we are not overly reliant on any single subcontractor for the following reasons:

- (i) we subcontract to our subcontractors on a project-by-project basis and it is non-recurring in nature;

- (ii) some of the projects undertaken by us were of relatively large contract sum and could last for a relatively longer period of time, and when we engage a subcontractor for a project, a substantial amount of subcontracting costs may be payable to such subcontractor, resulting in it becoming one of our largest subcontractors in a financial year/period;
- (iii) our Directors consider that there is an abundance of subcontractors providing the same kind of works in the market; and
- (iv) we maintain a list of 51 approved subcontractors as at Latest Practicable Date which is reviewed and updated periodically. Our Directors consider that our comprehensive list of approved subcontractors already assures a reasonably diversified base of reliable subcontractors which meet our quality standards.

Salient terms of our subcontracting contracts

In line with the usual practice of the E&M engineering services industry, we generally do not enter into any long-term agreement with our subcontractors. The terms of our subcontracting contracts may vary in accordance with the requirements of the specific project. We set forth the salient terms of our typical subcontracting contracts below:

Scope of work and responsibilities	:	The scope of work for the subcontracted works, which varies depending on the nature of works required, will be set out. We generally require our subcontractors to comply with the requirements and specifications as set out in our contracts with our customers.
		Generally, we do not allow our subcontractors to further subcontract the works to third parties without our prior consent.
Subcontracting fee	:	A fixed lump sum subcontracting fee with no adjustments is generally provided.

BUSINESS

Payment schedule : The subcontracting fee will be payable by instalments upon the occurrence of certain events or achievement of certain milestones, which generally include, upon the issuance of invoice to us by our subcontractor in respect of the materials placed by our subcontractor, upon the practical completion of the required works by our subcontractor as certified by us and the project owner, and upon the final settlement of accounts between the project owner and the main contractors (namely, our customer or us if we are acting as the main contractor).

We will arrange for the payment to our subcontractors within seven to 45 days upon receiving invoices from the subcontractors after the occurrence of certain events and/or achievement of certain milestones as stipulated.

Retention money : We may withhold up to 10% of the total subcontracting fee as retention money, which will be released fully to our subcontractors upon the practical completion of the relevant project and the expiry of the defect liability period.

Defect liability period : We generally require a defect liability period of 24 months from our subcontractors. During the defect liability period, our subcontractors are responsible for rectifying all work defects for us at their cost.

Termination clause : We may terminate our subcontracting contract, without the consent of the subcontractor, where:

- (i) the subcontractor has no capacity to complete the subcontracted works;
- (ii) the subcontractor suspends work in the course of the project for a consecutive of three days or more without reasonable excuse and without indication of resumption of works; or
- (iii) the subcontractor is unable to or has no capacity to continue carrying out the subcontracted works due to criminal sanctions.

Control over our subcontractors

We have measures in place to monitor the quality of work of our subcontractors and to ensure their compliance with the terms of the subcontracting contracts and the relevant rules, laws and regulations in Macau. We have procedures in place to finalise the selection and appointment of subcontractors according to their expertise, experience and qualifications.

According to our internal policy, we give careful consideration to the selection of each of the subcontractors to ensure that they have the necessary experience and capability to undertake the assigned works, taking into account the scale and nature of the subcontracted works.

Tendering stage

To ensure that our subcontractors can deliver and discharge their services required, we require our prospective subcontractors to submit with their tenders or fee quotation, the proposed implementation programme, labour resources forecast, and the materials delivery schedule.

Implementation stage

We take a leading role to manage our subcontractors and to ensure that they carry out and complete all their works by the targeted completion date where necessary. We place great emphasis on the timeliness of delivery of materials and sufficiency of labour resources of our subcontractors as these factors will have a direct implication on the overall efficiency and quality of the entire project work we undertake. According to our internal policy, we request our subcontractors to provide their labour forecast schedules against the actual works progress on site to ensure an appropriate and sufficient allocation of resources, and we also require them to submit the materials delivery forecast schedule against our project programme to ensure that materials will be delivered in a timely and orderly manner.

We have regular meetings with our subcontractors to touch base on their progress and to resolve any problems or issues encountered on a prompt basis. We also arrange our key staff to liaise with and monitor the progress of the subcontractors, and to provide necessary support to our subcontractors.

Completion stage

After completion of the subcontracted works, we optimise our resources and coordinate with the subcontractors on improvement works, defects rectification works and testing and commissioning for project delivery to the customer. We maintain close communications with our subcontractors until the project is complete. We carry out internal evaluation of our subcontractors after completion of the project.

Customer who is also our subcontractor

During the Track Record Period, one of our major customers, namely Customer A, was also our subcontractor. To the best of our Directors' knowledge and belief, Customer A and its ultimate beneficial owner are Independent Third Parties. Our Directors confirm that during the Track Record Period, save for Customer A, we had no other customer who is also our subcontractor and/or supplier.

Our business with Customer A

Customer A is a Macau-based construction company that principally engages in providing construction and engineering services in Macau, in particular, (i) structural steelworks, civil engineering construction, and fitting out and renovation works; (ii) high voltage power substation construction and its system installation works; and (iii) facilities management, alteration and maintenance works and services, and is a subsidiary of a company whose shares are listed on the Main Board of the Stock Exchange with a market capitalisation of over HK\$1.4 billion as at the Latest Practicable Date.

Through tendering or quotation submission to Customer A, since 2012, Customer A has subcontracted us to provide supply and/or installation services for LV systems works, ELV systems works and HVAC systems works which contributed a total gross profit of approximately MOP6.7 million during the Track Record Period. Our Directors believe that through tendering or quotation process, the E&M projects with Customer A were awarded to us following the due process and due consideration, based on the genuine business needs and in the ordinary course of business of Customer A.

(i) *Our projects with Customer A*

During the Track Record Period, we have been awarded three E&M projects with an aggregate contract value of approximately MOP57.0 million from Customer A. The following table sets forth the details of each of our projects with Customer A during the Track Record Period:

Project	Contract value	Services provided by our Group	Project owner	Location	Year ended 31 December						Two months ended 29 February					
					2017			2018			2019			2020		
					Revenue	Gross profit	Gross margin	Revenue	Gross profit	Gross margin	Revenue	Gross profit	Gross margin	Revenue	Gross profit	Gross margin
					MOP'000	MOP'000	%	MOP'000	MOP'000	%	MOP'000	MOP'000	%	MOP'000	MOP'000	%
A1	11,000	LV systems works	Infrastructure Development Office of Macau	Cotai, Macau	11,000	1,740	15.8	-	-	-	-	-	-	-	-	-
A2	14,957	ELV systems works	Customer D	Cotai, Macau	14,957	2,241	15.0	-	-	-	-	-	-	-	-	-
A3	31,000	ELV systems works	DSSOPT	Macau peninsula, Macau	-	-	-	-	-	-	12,319	2,464	20.0	1,148	230	20.0

BUSINESS

The gross margin of our E&M systems works awarded by Customer A and the gross margin of our E&M systems works awarded by other customers (excluding Customer A) during the Track Record Period was approximately 16.9% and 24.3%, respectively. Our Directors consider that the gross margin of our E&M systems works awarded by Customer A was lower than those awarded by other customers during the Track Record Period mainly because of a substantial portion of the supply and/or installation services Customer A subcontracted to us were ELV systems works which generally have a lower gross margin.

The gross margin of our LV systems works project awarded by Customer A and the gross margin of our LV systems works projects awarded by other customers (excluding Customer A) during the Track Record Period was approximately 15.8% and 29.6%, respectively. Our Directors consider that the gross margin of our LV systems works project awarded by Customer A was lower than those awarded by other customers during the Track Record Period mainly due to the substantial use of subcontractors in the project owing to the insufficient workforce at the relevant period and the relatively lower level of technical complexity involved in the project.

The gross margin of our two ELV system works projects awarded by Customer A and the gross margin of our ELV systems works projects awarded by other customers (excluding Customer A) during the Track Record Period was approximately 17.4% and 11.7%, respectively. Our Directors consider that the gross margin of our two ELV systems works projects awarded by Customer A was higher than those awarded by other customers during the Track Record Period mainly due to the technical specifications and complexity of the works involved in these projects.

(ii) Salient terms of project contracts with Customer A

We enter into contracts with Customer A on a project-by-project basis. We set forth below the typical terms of our contracts entered into with Customer A:

Scope of work	:	The scope of services and types of works required from us, which principally include supplying and installing LV and ELV systems works, are set out.
Duration of work	:	A fixed duration may be specified in the contract. Where the contract does not provide for a fixed duration, we are generally required to perform our works in accordance with Customer A's project schedule. The project schedule may be adjusted based on the project progress and as agreed between Customer A and the project owner.
Contract sum	:	A fixed lump sum contract sum is generally provided.

BUSINESS

- Subcontracting** : Our contracts with Customer A generally do not allow us to engage subcontractors to carry out the works unless with the prior written consent of Customer A.
- Insurance** : In general, Customer A is responsible for taking out labour insurance in relation to the project which covers liabilities that may incur during the course of work execution.
- We are generally responsible for taking out employees' insurance in accordance with the applicable laws and regulations in Macau.
- Performance bonds** : We are generally not required to provide performance bonds to Customer A.
- Payment terms** : Subject to the actual progress of the project, we generally submit invoices to Customer A on a monthly basis. Customer A generally has a period of 30 days to verify our invoices, following which, it is required to make payment to us within 15 days.
- Defect liability period** : We are subject to a defect liability period which generally commences from the practical completion of our works and lasts for 12 months.
- Retention money** : We are generally not required to provide retention money to Customer A, subject to the duration of the project.
- Safety** : We are required to ensure that our workers have adopted adequate safety measures. We are generally responsible for any costs and/or liabilities which may arise due to the refusal of indemnification by insurance companies or the penalties imposed by the DSAL as result of our negligence or breach of safety provisions.

(iii) Customer A as our subcontractor

While we were principally engaged by Customer A as its subcontractor, we engaged Customer A who was nominated by our customer, being Customer E, as our subcontractor to provide design and interior fitting out works for two private sector projects with relevant subcontracting costs of approximately MOP10.9 million. Please refer to “Customer who is also our subcontractor – Reasons for engaging Customer A as our subcontractors” in this section for further details of these two private sector projects. Our Directors confirm that the abovementioned subcontracted works are independent to and not interconnected with any project where we provide E&M engineering services works to Customer A.

During the Track Record Period, our subcontracting costs to Customer A amounted to nil, approximately MOP8.4 million, MOP2.5 million and nil, respectively, representing nil, approximately 8.0%, 2.1% and nil of our total subcontracting costs, respectively. Please refer to “Subcontractors – Major subcontractors” in this section for further details of Customer A’s ranking amongst our top subcontractors during the Track Record Period.

Settlement method with Customer A

When Customer A was one of our customers, we granted it 45 days’ credit period upon the delivery of our invoice to Customer A. When Customer A was one of our subcontractors, the payment term was 28 days from the date of submission of the payment application by Customer A. Our Directors confirm that these payment terms are generally consistent with the payment terms of the other subcontractors of our Group.

Reasons for engaging Customer A as our subcontractor

In March and December 2018, we were awarded with two private sector projects by Customer E that involved the supply and installation of LV systems works and HVAC systems works with an aggregate contract value of approximately MOP30.1 million (the “**Projects**”). Customer A was nominated by our customer, being Customer E, as a subcontractor to provide design and interior fitting out works under the Projects. According to Frost & Sullivan, it is not uncommon for E&M construction projects with a relatively larger scale to involve design and interior fitting out works and where a main contractor lacks the relevant expertise to carry out certain works required under a project, it is in line with industry practice for the project owner to nominate a subcontractor which is equipped with the requisite skills, know-how and experience to perform such works in the main contractor’s stead. As our Group focuses on the provision of E&M engineering services works and does not have the relevant experience and expertise in performing design and interior fitting out works, we engaged Customer A as our subcontractor in accordance with Customer E’s nomination for the provision of the required design and interior fitting out works.

To the best of our Directors’ knowledge, information and belief after having made all reasonable enquiries, Customer A and Customer E and their respective ultimate beneficial owners are third parties independent of one another.

BUSINESS

The following table sets forth the details of the Projects:

Project	Customer	Contract value	Services provided by our Group	Location	During the Track Record Period		
					Revenue	Gross profit	Gross margin
		<i>MOP'000</i>			<i>MOP'000</i>	<i>MOP'000</i>	%
Project E1	Customer E	24,107	LV systems works and HVAC systems works	Macau Peninsula, Macau	24,107	3,142	13.0
Project E2	Customer E	5,964	LV systems work	Macau Peninsula, Macau	5,964	696	11.2

Our gross margins for Project E1 and Project E2 were relatively lower than our overall gross margin and gross margins of the relevant business segments during the Track Record Period primarily due to the more competitive contract prices offered to Customer E (being a new customer at the relevant time) for these two projects in the same location as a bundle offer with a view to establishing a new business relationship with Customer E and diversifying our customer base as well as project portfolio.

Customer E was one of the new customers which we successfully secured during the Track Record Period through the commencement of Project E1. In line with our strategy in making continuous efforts to broaden our customer base for our business expansion and having taken into consideration, among other things, that (i) Customer E is a wholly-owned subsidiary of a food and beverage company whose shares are listed on the Main Board of the Stock Exchange; and (ii) Project E1 was a private sector project to be carried out in other commercial premises instead of world-class hotels and integrated entertainment resorts, which contributed to a significantly smaller percentage of our revenue generated from private sector projects during the Track Record Period, our Directors considered that it would be in our Group's interests to secure Project E1 to expand our customer base and to enrich our project portfolio, and hence resolved to offer a more competitive contract price to Customer E at the time of the tender submission for Project E1.

Project E2 was an extension of (but a different phase to) Project E1. Both Project E1 and Project E2 were located at the same commercial premises in Zona Industrial Transfronteiriça de Zhuhai-Macau and, as confirmed by our Directors, involved a similar level of technical complexity. Taking into account the foregoing and with a view to fostering our new business relationship with Customer E, a more competitive contract price was also offered to Customer E at the time of the quotation submission for Project E2.

BUSINESS

Further, as advised by Frost & Sullivan, in terms of private sector projects, an E&M project for other commercial premises generally involve a relatively lower level of technical complexity when compared to an E&M project for world-class hotels and integrated entertainment resorts, and therefore generally entails a lower gross margin for E&M contractors. Given that a majority of the private sector projects undertaken by us during the Track Record Period were projects for hotels and resorts, the gross margins for Project E1 and Project E2, being projects for other commercial premises, may not be comparable to the gross margins of our private sector projects during the Track Record Period.

We also set forth below the salient terms of our contracts entered into with Customer E below with respect to the Projects:

- | | | |
|--------------------------|---|---|
| Scope of work | : | The scope of services and types of works required from us, which principally include LV systems works and HVAC systems works, are set out. The scope of work may be varied in accordance with the instruction or written consent of Customer E. |
| Duration of work | : | A fixed duration, which specifies the commencement date and the completion date, is specified and may be adjusted as required by or subject to the approval of Customer E. |
| Contract sum | : | A contract sum of a fixed lump sum is set out. |
| Subcontracting | : | We are not allowed to engage subcontractors to carry out the works unless with prior consent of Customer E. Customer E is entitled to nominate certain individuals or companies as our subcontractors. |
| Insurance | : | <p>We are responsible for purchasing the all risks insurance and third party liability insurance, which together cover the liabilities that may be incurred by or in the course of the project construction.</p> <p>In addition, we are responsible for obtaining employees' compensation insurance for our workers, as well as insurance in relation to our machineries and equipment.</p> |
| Performance bonds | : | We are required to provide a fixed sum of performance bond to Customer E within one month of signing the tender agreement. |

BUSINESS

Payment terms : We generally submit our invoices to Customer E based on the progress of our works. Customer E is generally required to settle payment within one month after receiving and verifying our invoices, and within three months upon the expiry of the defect liability period unless otherwise specified.

Defect liability period : We are subject to a defect liability period which commences from the practical completion of our work and lasts for 12 months.

Retention money : Retention money amounting to 10% of the awarded contract sum, subject to a cap of MOP200,000, will be retained by Customer E.

Half of the retention money will be released upon issuance of the practical completion certificate, and the remaining balance will be fully released upon expiry of the defect liability period or the issuance of defect rectification completion certificate, whichever is later.

Safety : We are required to comply with the applicable labour safety laws and regulations and to ensure the safety of our employees and the construction site.

We are generally responsible for any costs and/or liabilities which may arise due to injuries or death in the course of or arising from the construction project, unless the same is caused by any act or negligence of any person that Customer E shall be responsible for.

Environmental protection : We are required to comply with the laws and regulations in relation to environmental protection.

Our Directors confirm that all terms and conditions of our transactions with Customer A were negotiated on an arm's length basis and upon normal commercial terms.

Subcontracting Customer A is in line with industry practice

According to the Industry Report, the subcontracting of the abovementioned works to our customer, Customer A, is generally consistent with industry practice. From time to time, contractors who are specialised in providing certain areas of engineering services works may tender for projects where a wide array of services is required. In circumstances where the

contractor does not have the necessary resources, equipment, manpower, capacity or expertise to carry out a certain sector of engineering services works, it is not uncommon for the contractor to invite other contractors who are in possession of the same to carry out the works required. Furthermore, our Directors confirm that it is not uncommon for project owners to require main contractors awarded with the project to engage subcontractors nominated by the project owners to perform specific works under the project. As such it is not unusual to see a contractor's customer being their subcontractor in different projects, or vice versa.

QUALITY CONTROL AND MANAGEMENT

We place great emphasis on quality control, as our Directors are of the view that our reputation and therefore business results depend on the quality of our works and our ability to meet our customers' requirements and specifications to their satisfaction. In general, we are required to comply with the relevant codes and regulatory quality standards of various jurisdictions, if any, as stipulated in the contracts of various projects. We adhere to the technical requirements stipulated by the terms of our E&M engineering services works contracts with our customers.

To ensure compliance, we assign a team of experienced management and technical personnel on the construction site to supervise our projects and to control work progress and quality. The project management team is generally headed by a project manager, an engineer, a site agent and a foreman. Each member of the project management team is allocated with responsibility with regard to the quality control of the project. Please refer to "Our operating procedures – Project preparation and implementation phase" in this section for further details regarding the individual responsibilities of each role within the project management team.

Our engineers are also responsible for the monitoring of incoming materials and supplies. Our engineers will be in a position to discover any material defects within the materials and supplies at this stage, and to resolve any issues with the suppliers in an efficient and timely manner. During the Track Record Period and up to the Latest Practicable Date, there were no material defects discovered in our materials and supplies, and no material claims or complaints were brought against our suppliers in relation to defective quality of the supplies.

Our Group has an inspection and test plan ("ITP") in place, which sets out quality hold points and internal verification procedures to identify any sub-par work quality or non-conformities, which need to re-worked or rectified in a timely manner. We believe that our ITP procedures help us maintain stringent control over the quality of our works and to assure our customers of the standards of our works. During the Track Record Period, there were no material claims or complaints brought against our Group by our customers as a result of our defective work quality.

OCCUPATIONAL HEALTH AND WORK SAFETY

Our workers' health and safety are of paramount importance to us. Safety management is part and parcel of our daily operations. We comply with the safety laws and regulations as promulgated by the Macau government, and we promote to our workers the principles and importance of safety management. Our Group takes actions to minimise the various risks arising from construction hazards. We implement our safety management plans according to the requirements of the projects' specifications, which prescribes the procedures to be implemented to ensure that management systems are effective in minimising, and where possible eliminating, the health and safety risk to all parties involved in the projects.

Our Group takes measures to carry out inspections to be performed on the project which helps to ensure that all required safety precautionary measures and procedures are implemented in accordance with the planned arrangements. As confirmed by our Macau Legal Advisers, during the Track Record Period and up to the Latest Practicable Date, we had in all material respects complied with the relevant occupational health and work safety laws and regulations in Macau. Our Directors confirm that we have not experienced any material accidents or incidents relating to occupational health and safety involving any of our employees or subcontractors during the Track Record Period.

A comparison of the occupational accident rate and occupational fatality rate per 1,000 workers of our Group against the construction industry average in Macau during the Track Record Period is set forth below:

	Construction industry average in Macau <i>(Note 1)</i>	Our Group <i>(Note 2)</i>
2017		
Accident rate per 1,000 workers	23.1	Nil
Fatality rate per 1,000 workers	0.2	Nil
2018		
Accident rate per 1,000 workers	22.9	22.7 <i>(Notes 3 and 4)</i>
Fatality rate per 1,000 workers	0.2	Nil <i>(Note 4)</i>
2019		
Accident rate per 1,000 workers	21.2	Nil
Fatality rate per 1,000 workers	0.1	Nil
Two months ended 29 February		
2020		
Accident rate per 1,000 workers	N/A <i>(Note 5)</i>	Nil
Fatality rate per 1,000 workers	N/A <i>(Note 5)</i>	Nil

Notes:

(1) The relevant data in 2017 and 2018 has been published by the DSAL.

BUSINESS

- (2) Our Group's accident rate is calculated as the number of industrial accidents during the year/period divided by the daily number of the project construction site workers in our Group's project construction sites during the year/period.
- (3) In 2018, our Group experienced a labour injury incident, in which one of our Group's workers injured his left shoulder while using a grinder at the project work site. As confirmed by our Macau Legal Advisers, we considered that the incident was not of material nature and the relevant worker had waived his right to claim against our Group in respect of the said injury, and therefore the likelihood of our Group being subject to any legal liability is remote.
- (4) In 2018, a fatal road traffic accident involving a heavy vehicle collision occurred in which one of our Group's workers, who had been employed by our Group as a casual worker for more than three years, was fatally injured in the course of driving his own motorcycle. Taking into account the long-term contributions of and the continuous services rendered by the deceased worker to our Group, and with the mediation assistance from the Macau Labour Tribunal, our Group entered into a settlement agreement with the family members of the deceased worker in September 2019, pursuant to which our Group agreed to pay a sum of MOP1.0 million by way of gratuity payments. Our Macau Legal Advisers are of the view that the likelihood of our Group being subject to any legal liability for the said fatal accident is remote given that: (i) the accident did not constitute an occupational accident under the relevant Macau laws as, taking into account the circumstances of the accident, there was no evidence that the deceased worker was providing labour services per our Group's instruction during the course thereof and the motorcycle involved in the accident did not constitute an agreed mode of transportation between our Group and the deceased worker; and (ii) our Group has compensated the family members of the deceased worker to the full extent as permitted under the relevant Macau laws as at the Latest Practicable Date. In addition, as advised by our Macau Legal Advisers, our Group had maintained all material insurance policies in compliance with the relevant Macau laws and regulations at all material times of the said fatal accident. Our Directors consider that the accident does not have any material adverse impact on our Group's operations and financial position. In order to enhance our level of insurance coverage with respect to our Group's workers, in addition to the compensation insurance generally taken out by main contractors, our Group has taken out an employees compensation insurance policy since September 2019. For details, please refer to "Insurance" in this section.
- (5) The relevant data has not yet been published by the DSAL as at the Latest Practicable Date.

The following table sets forth our Group's lost time injuries frequency rate ("LTIFR") during the Track Record Period:

	LTIFR <i>(Notes 1 and 2)</i>
2017	Nil
2018	Nil
2019	Nil
Two months ended 29 February 2020	Nil

Notes:

- (1) Lost time injury is an injury arising out of and during the course of employment, which results in the loss of one or more working days other than the date of accident.

LTIFR is a frequency rate that shows how many lost time injuries occurred over a specified time (e.g. per 1,000,000 hours) worked in a period. Our LTIFRs shown above are calculated by multiplying the number of lost time injuries of our Group that occurred during the relevant year/period by 1,000,000 divided by the number of hours completed by site workers over the same year/period. It is calculated on the assumption that each worker works eight hours per day.

- (2) Our Group's LTIFRs were determined based on the internal records of our Group.

BUSINESS

In response to the outbreak of COVID-19, we have enhanced our hygiene and precautionary measures with an aim to maintain a higher hygiene standard and to prevent the spread of COVID-19 through community transmission. Please refer to “Effects of the COVID-19 outbreak – Our contingency plan and response towards the COVID-19 outbreak” in this section for further details.

EMPLOYEES

As at 31 December 2019, we had 43 local employees directly employed by our Group in Macau. In addition, we had an additional 28 foreign workers as at 31 December 2019. The following table sets forth a breakdown of our employees by functions and teams as at 31 December 2019:

	<u>Number of personnel</u>
Director <i>(Note 1)</i>	1
Senior management <i>(Note 1)</i>	2
Finance and administration	4
Engineers <i>(Note 2)</i>	7
Foreman/local workers	29
Foreign workers	28
	<hr/>
Total	71
	<hr/>

Notes:

- (1) Our Director and senior management are also engineers.
- (2) Our engineers include one project manager and six assistant engineers.

Two of our RPEs have taken the requisite training courses to become certified construction safety supervisors (建築安全督導員).

According to the Industry Report, there is a constant shortage of local labour with appropriate skills in Macau. Our Group, like other construction companies in Macau, to a certain extent, relies on our foreign workers to carry out part of our projects. As advised by Frost & Sullivan, it is a general practice in Macau, especially in major construction projects, for main contractors to apply for work permits for foreign labour under the imported worker quota system in Macau. As our Group gradually assumes the role of a main contractor in the E&M projects we undertake, we are in a position to apply for work permits for our foreign workers. During the Track Record Period, our Group had been assigned with foreign labour quotas by the DSAL on an annual basis as well as on a project-by-project basis. As at the Latest Practicable Date, we were assigned with a foreign labour quota of 31 workers which had been fully utilised.

As confirmed by Frost & Sullivan, where a contractor acts as a subcontractor in E&M projects, the contractor also utilises the foreign labour quota delegated to it by the main contractors on a project-to-project basis. In line with industry practice in Macau, main contractors generally first employ the foreign workers under their own foreign labour quotas and apply to the DSAL for the relevant work permits, and subsequently delegate such foreign workers to their subcontractors for performing works under the relevant projects. The subcontractors then reimburse the main contractors for all relevant costs incurred, including but not limited to the salaries of the foreign workers and the insurance expenses.

We also utilise the foreign labour quotas delegated to us by our main contractors. During the Track Record Period, the total costs in engaging our foreign workers under the delegated foreign labour quotas from our main contractors amounted to approximately nil, MOP1.1 million, MOP4.5 million and MOP0.2 million, respectively, representing approximately nil, 0.7%, 2.4% and 0.4% of our total cost of services, respectively.

As advised by our Macau Legal Advisers, the allocation of foreign labour workers between our main contractors and our Group in the manner set out above does not violate any applicable Macau laws and regulations.

Recruitment policy and remuneration

Our work force is one of our most valuable assets and is crucial to our Group's operations and our success. We generally take into account a number of factors when hiring our employees, such as their expertise in the relevant industry, their skill set, qualifications, as well as their interview performance. We generally enter into employment contracts with our employees, which cover terms such as salary, position and grounds of termination.

We believe that the morale and performance of our staff is directly linked to our Group's business development and growth. Our remuneration package includes basic salary and annual bonus that is paid out before each lunar new year. To motivate and encourage our staff, we also reward our staff with a competitive performance-based discretionary bonus, which is paid out to our employees prior to each lunar new year. We consider our discretionary bonus to be one of the more attractive features of our remuneration package, and is a significant driving factor in the performance of our staff. During the Track Record Period, we incurred staff costs of approximately MOP14.2 million, MOP21.8 million, MOP22.4 million and MOP3.7 million respectively, representing mainly salaries, bonuses, pensions and other allowances.

We also provide a monthly housing allowance of MOP500 to all our non-resident workers, and we provide accommodation to members of our senior management who have to travel back and forth between Hong Kong and Macau.

Training

We believe that the quality and the safety of our staff play a crucial role in our operations. We emphasise the importance of health and safety with our employees and staff members, and our workers receive on-site training. Our workers are required to obtain training certificates on occupational health and safety before entering the construction sites. Our Group also assists our employees in applying for the training courses organised by the DSAL as and when their training certificates expire for the purpose of certificate renewal as required by Law No. 3/2014. Further, our RPEs are required by Macau regulations to complete 50 hours of continuous professional development training every two years in order to renew their registrations.

Relationship with our employees

Our Directors consider that we have an amicable relationship with our employees. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any significant incident of work stoppage or suspension, or any incidents of labour shortage which adversely affected our operations. We did not experience any difficulties in the recruitment or retention of any experienced staff, qualified engineers or skilled personnel, and there were no incidents of any material labour disputes with or union actions from our employees.

EFFECTS OF THE COVID-19 OUTBREAK

Effects of the COVID-19 outbreak on our business operations

An outbreak of respiratory illness caused by COVID-19, a novel coronavirus, first emerged in late 2019 and continues to expand globally. As at the Latest Practicable Date, COVID-19 had spread to over 210 countries, areas and territories globally according to the WHO with the death toll and number of infected cases continuing to rise. With a view to combating the spread of COVID-19 in the city, the Macau government has imposed draconian measures including a mandatory 15-day shutdown of casinos in early February 2020, extended travel restriction and certain mandatory quarantine requirements since the emergence of the first COVID-19 confirmed case in Macau on 22 January 2020.

The COVID-19 outbreak is likely to have an adverse impact on the livelihood of the people and the economy of Macau. Any economic downturn or slowdown in Macau and/or negative business sentiment could have an indirect potential impact on the E&M engineering services industry and our business operations and financial performance may be adversely affected. Please refer to “Risk factors – Our business operations may be affected by the outbreak of COVID-19” in this prospectus for further details.

Our Directors considered that our Group’s operations had not been materially affected by the outbreak of COVID-19 as at the Latest Practicable Date. Except for three of our E&M projects which had been temporarily suspended for a period of approximately one to two weeks due to voluntary project suspension by our customers, we did not experience any material delay

to our project schedules for our E&M projects as at the Latest Practicable Date. All of these E&M projects had been resumed prior to the Latest Practicable Date. In addition, to the best of our Directors' knowledge, none of our employees, including our foreign workers, had difficulties to report duty due to extensive travel restrictions or mandatory quarantine requirements in Macau and none had been infected with COVID-19 as at the Latest Practicable Date.

Moreover, our subcontractors are principally based in Macau and we generally source our supplies and materials from our suppliers which are principally based in Hong Kong or Macau. As at the Latest Practicable Date, to the best of our Director's knowledge, we were not aware of any material disruption to the provision of services by our subcontractors or the supply of raw materials from our suppliers due to the outbreak of COVID-19. Notwithstanding that the supply chains in different industries and regions would be disrupted to a certain extent by the outbreak of COVID-19, particularly due to the suspension of business operations in the PRC, instability of workforce arising from travel restrictions and mandatory quarantine requirements, our Directors are of the view that we would be able to find suitable alternative subcontractors or suppliers from our list of approved suppliers and subcontractors in the event that our original subcontractors or suppliers are unable to provide their services or deliver their products to us in a timely manner. As at the Latest Practicable Date, our Directors do not anticipate that our Group will encounter any material disruption to our supply chain or our subcontracting works due to the outbreak of COVID-19.

In view of the above, our Directors are of the view that no material adverse effect on our Group's business operations and financial performance is expected to result from the COVID-19 outbreak. In the unlikely event that we are to reduce or suspend part of our business operations for a prolonged period of time, whether due to government policy or any other reasons beyond our control, as a result of the COVID-19 outbreak, we estimate that our existing financial resources (including our bank balances and cash) as at 29 February 2020 could satisfy our necessary costs for not less than eight months. Our key assumptions of the worst case scenario where our business is forced to be suspended due to the impact of COVID-19 include: (i) we will not generate any revenue due to the suspension of business; (ii) our trade receivables as at 29 February 2020 will be settled within the range of our average trade receivables turnover days during the Track Record Period; (iii) we will be required to fully settle all of our current liabilities as at 29 February 2020, excluding other creditors and accrued charges; (iv) all of our staff, including operational and administrative staff, are encouraged to take unpaid leave under mutual consent or dismissed upon proper notice in accordance with the employment contract and no significant compensation is incurred; (v) we may incur one-month staff cost to dismiss our staff assuming no mutual consent to take unpaid leave is obtained from them; (vi) the rental payments and other miscellaneous charges would be paid in connection with our leased premises for temporary accommodation for our certain foreign workers; (vii) minimal operating and administrative expenses will be incurred to maintain our operations at a minimum level (including basic maintenance cost and utilities expenses); (viii) there will be no further internal or external financing from our Shareholders or financial institutions; and (ix) no further dividend will be declared and paid under such situation.

The abovementioned extreme situation may or may not occur and is for illustrative purpose only. Our Directors currently assess that the likelihood of such situation is remote. Our Directors will continue to assess the impact of the COVID-19 outbreak on our Group's business operations and financial performance and to closely monitor our Group's exposure to the risks and uncertainties in this connection.

Our contingency plan and response towards the COVID-19 outbreak

In response to the outbreak of COVID-19, we have implemented a contingency plan to minimise potential disruptions that may be caused to our business operations, including (i) reviewing our lists of approved suppliers and subcontractors from time to time and identifying suitable alternative subcontractors and suppliers which meet our demands and requirements to ensure stability in delivering our E&M engineering services; (ii) maintaining close and on-going communications and negotiations with our customers should there be a potential delay in the performance of our E&M engineering services works; and (iii) implementing flexible rotation arrangements for our administrative staff.

In addition, we have adopted enhanced hygiene and precautionary measures to ensure a hygienic work environment for our employees. These measures include, among other things, (i) supplying sanitary masks and disinfecting products including hand cleansing gel and alcohol disinfectants to our employees; (ii) monitoring the medical symptoms of our staff and on-site workers by measuring their body temperatures; (iii) promoting personal hygiene and health protection among our employees by providing relevant trainings to them; and (iv) regularly cleaning and disinfecting our offices and warehouse workshop. Further, we have entered into three short-term lease agreements, in each case for a term of three months, to provide temporary accommodations to three of our foreign workers from the PRC who are unable to travel back and forth between the PRC and Macau due to travel restrictions and quarantine measures in place pursuant to the COVID-19 outbreak.

We estimate that the costs for implementing the abovementioned enhanced hygiene measures, after taking into account the medical and cleaning supplies distributed by the Macau government, to be approximately MOP0.1 million for the year ending 31 December 2020. This mainly represents the material costs for sanitary masks, hand cleansing gel and alcohol disinfectants and cleaning charges. We further estimate that the aggregate rental expenses in respect of the temporary accommodation to be approximately not more than MOP0.2 million for the year ending 31 December 2020. Our Directors confirm that the additional costs associated with the enhanced hygiene measures and the provision of temporary accommodation would have no significant impact on our Group's financial position and financial performance for the year ending 31 December 2020. Our Directors believe that these additional costs will gradually decrease as the COVID-19 pandemic subsides over time.

Effects of the COVID-19 outbreak on our business strategies

Currently, it is one of our business strategies to expand the scale of our business operations by undertaking more large-scale E&M projects in Macau. Whilst the Macau economy may experience a certain extent of impact as a result of the COVID-19 outbreak, taking into account the announced construction projects both in the public and private sectors in Macau in the next few years and that approximately 15% of the total investment in upcoming construction projects in Macau is estimated to be attributable to E&M engineering services industry, our Directors believe that the demand for our E&M engineering services works in Macau will remain high. According to the Industry Report, the outbreak of COVID-19 is expected to cause certain short-term economic slowdown in Macau but will unlikely affect the growth of the macroeconomic development in Macau in the long run. It is anticipated that, according to Frost & Sullivan, once the outbreak of COVID-19 is effectively controlled, the outlook for the demand of E&M engineering services works in both public and private sectors in Macau will remain positive.

Based on the above, our Directors believe that our expansion plan remains feasible, and it is unlikely that we will change the use of our net proceeds from the Global Offering as disclosed in “Future plans and use of proceeds” in this prospectus as a result of the COVID-19 outbreak. However, there is no assurance that direct and indirect effects of COVID-19 will not have a greater impact on the livelihood of the people in and the economy of Macau. In the event that the COVID-19 pandemic further evolves, any economic downturn or slowdown in Macau and/or negative business sentiment could have an indirect potential impact on the E&M engineering services industry and our business operations and financial performance may be adversely affected. Please refer to “Risk factors – Our business operations may be adversely affected by the outbreak of COVID-19” in this prospectus for details.

ENVIRONMENTAL MATTERS

As a contractor, we are subject to a number of environmental and safety laws and regulations in Macau. Please refer to “Regulatory overview” in this prospectus for further details. As a main contractor, we are required to follow and comply with certain environmental measures adopted by the project manager hired by the project owner. As a subcontractor, we are required to follow and comply with certain environmental measures adopted by our main contractors at the construction site. Our project manager will ensure that we follow and comply with such measures, for example:

- | | | |
|--------------------|---|---|
| Air quality | : | Maintaining good housekeeping and regular cleaning policies to minimise any dust generated from our E&M engineering services works. Engines have to be turned off when the vehicles are idling. We ensure all vehicles and plants are regularly serviced and maintained so that no dark smoke is emitted. |
|--------------------|---|---|

BUSINESS

Noise : We cease all construction works whenever it affects the operations of the premises and when requested by our customers. We observe and follow noise controls as required. We use noise enclosures and acoustic barriers where required. We avoid operating multiple pieces of equipment at the same time.

LICENCES, CERTIFICATES AND PERMITS

Our Directors confirm, and our Macau Legal Advisers concur, that as at the Latest Practicable Date, we had obtained all material licences, permits and approvals from the relevant Macau authorities for operations. We did not experience any material difficulty in obtaining or renewing our required permits and licences for our business operations during the Track Record Period and up to the Latest Practicable Date. Our Directors confirm, and our Macau Legal Advisers concur, that we do not expect any material impediment in renewing our material permits and licences as they expire in the future.

We set forth the relevant information on our material licences, permits and certificates as at the Latest Practicable Date:

Type	Issuing body	Holder	Effective date	Expiry date
Contractor License No. 4804/2013	DSSOPT	Kento Engineering	7 August 2013	31 December 2020 ^(Note 1)
Permit for hiring non-resident – Dispatch no. 05878/IMO/DSAL/2020	DSAL	Kento Engineering	21 June 2020	20 June 2021
Permit for hiring non-resident – Dispatch no. 17692/IMO/DSAL/2019	DSAL	Kento Engineering	11 October 2019	10 October 2020 ^(Note 2)
Permit for hiring non-resident – Dispatch no. 22508/IMO/DSAL/2019	DSAL	Kento Engineering	25 July 2019	20 October 2020 ^(Note 2)
Permit for hiring non-resident – Dispatch no. 20406/IMO/DSAL/2019	DSAL	Kento Engineering	21 November 2019	20 November 2020 ^(Note 2)
Permit for hiring non-resident – Dispatch no. 35117/IMO/DSAL/2019	DSAL	Kento Engineering	11 March 2020	10 March 2021

Notes:

- (1) As confirmed by our Directors, we will apply to DSSOPT for the renewal of our Contractor License upon its expiry.
- (2) As confirmed by our Directors, as at the Latest Practicable Date, we have made the relevant applications with DSAL for the renewal of these permits for hiring non-resident.

BUSINESS

PROPERTIES

Leased properties

As at the Latest Practicable Date, we leased the following properties:

Location	Utilisation area (sq.m.) (approximately)	Use of property
Unit C, 11/F, Edifício Centro Industrial De Macau, No. 185 Avenida de Venceslau de Morais, Macau	375.5	Warehouse workshop
Rooms C and D, Unit F13, Edifício Industrial Lee Cheung, No. 56-68 Estrada Marginal do Hipódromo, Macau	146.6	Office
Room H, Unit F13, Edifício Industrial Lee Cheung, No. 56-68 Estrada Marginal do Hipódromo, Macau	106.0	Office
No. 8, Basement, Hang Fa Garden, No. 135D Estrada Marginal do Hipódromo, Macau	N/A	Carpark space
No. 28, Basement, Hang Fa Garden, No. 135D Estrada Marginal do Hipódromo, Macau	N/A	Carpark space
No. 46, Basement, Hang Fa Garden, No. 135D Estrada Marginal do Hipódromo, Macau	N/A	Carpark space
No. 56, Basement, Hang Fa Garden, No. 135D Estrada Marginal do Hipódromo, Macau	N/A	Carpark space
No. 58, Basement, Hang Fa Garden, No. 135D Estrada Marginal do Hipódromo, Macau	N/A	Carpark space
No. 60, Basement, Hang Fa Garden, No. 135D Estrada Marginal do Hipódromo, Macau	N/A	Carpark space
No. 6, 2/F, Fu Po Garden, Estrada Marginal do Hipódromo, Macau	N/A	Carpark space
Unit AN, 4/F, Block 3, Ki Kuan Bairro, No. 124 Estrada do Arco, Macau	84.4	Temporary staff accommodation

INSURANCE

As a subcontractor, we are normally covered under the project owner or the main contractors' insurance policies. The main contractors are generally required under Macau law to take out employees' compensation insurance and contractors' all risk insurance policies. Under the terms of such insurance policies, the liabilities of the main contractors and its subcontractors of the projects are usually covered. As such, we do not normally take out such insurance policies separately unless specifically required by our customers to do so.

In circumstances where we act as the main contractor for a project, we may be required and have taken out insurance policies relating to employees' compensation insurance and contractors' all risks insurance for such project as required by the terms of the contract.

As confirmed by our Macau Legal Advisers, we had duly maintained all material insurance policies in compliance with the relevant Macau laws and regulations during the Track Record Period. In addition to the compensation insurance generally taken out by main contractors, we have taken out an employees compensation insurance policy since September 2019 to enhance our level of insurance coverage with respect to our Group's workers. Our Directors consider that our current level of insurance coverage is adequate and consistent with the industry norm having regard to our current operations and the prevailing industry practices.

SOCIAL RESPONSIBILITY

We are committed to be a socially responsible corporation and dedicated to develop and implement sustainable policies in respect of staff development, environmental protection as well as occupational health and work safety.

SEASONALITY

Given the project-based nature of our business, our Directors believe that there exists no significant seasonal trends in our business during the Track Record Period and the E&M engineering services industry in Macau does not exhibit any significant seasonality.

RESEARCH AND DEVELOPMENT

During the Track Record Period and as at the Latest Practicable Date, we did not engage in any research and development activities.

INTELLECTUAL PROPERTY

We rely on a combination of trademarks and domain name registrations to protect our intellectual property rights.

As at the Latest Practicable Date, we owned two domain names, namely **www.kento.com.mo** and **www.macauem.com**, one trademark in Hong Kong and six trademarks in Macau. Details of our intellectual property rights are set forth in "B. Information about our business – 2. Intellectual property rights of our Group" in Appendix IV to this prospectus.

BUSINESS

As at the Latest Practicable Date, we were not aware of any infringement (i) by us of any intellectual property rights owned by third parties; or (ii) by any third parties of any intellectual property rights owned by us. Further, as at the Latest Practicable Date, we were not involved in any litigation or legal proceedings in relation to any material claims of infringement, either threatened or pending, of any intellectual property rights initiated by or against us that had a material and adverse effect on our business.

LITIGATION AND COMPLIANCE MATTERS

As at the Latest Practicable Date, there were no litigation, claim or arbitration proceedings pending or threatened against us or any of our Directors which could have a material adverse effect on our business, financial condition or results of operations.

Our Directors confirm that we had (i) obtained all licenses, permits, approvals qualifications and certificates material for our business operations in Macau; and (ii) complied with all applicable laws and regulations in all material aspects in Macau (the principal jurisdiction within which our Group operated its businesses) during the Track Record Period and up to the Latest Practicable Date.

According to our Macau Legal Advisers, we had complied with all relevant laws and regulations in Macau in all material respects during the Track Record Period and up to the Latest Practicable Date.

Our Directors confirm that our Group has complied with all material applicable laws and regulations in Macau (being the principal jurisdiction within which our Group operated its businesses) during the Track Record Period and up to the Latest Practicable Date.

RISK MANAGEMENT AND INTERNAL CONTROL

Our Directors and senior management are responsible for the formulation of and overseeing the implementation and effectiveness of our internal control and risk management systems, which are designed to ensure our ongoing compliance with the applicable laws, regulations and rules relevant to our business operations and/or corporate governance, and to prevent any recurrence of any incidents of non-compliance. We believe that our internal control systems and current procedures are sufficient in terms of comprehensiveness, practicability and effectiveness. We will adopt or have adopted and implemented the following internal control measures:

- (a) we will establish an audit committee which is comprised of all our independent non-executive Directors who will review and supervise our financial reporting process and internal control system. Our audit committee will adopt its terms of reference, which sets out its duties and obligations for ensuring compliance with relevant laws and regulations. For biographical details of the independent non-executive Directors, please refer to “Directors and senior management – Board of Directors – Independent non-executive Directors” in this prospectus for further details;

BUSINESS

- (b) we have appointed Innovax Capital Limited as our compliance adviser with effect from the Listing Date to assist our Board on ongoing compliance matters relating to the Listing Rules and/or other applicable securities laws and regulations in Hong Kong;
- (c) we will appoint a qualified Macau law firm upon Listing as our Group's external Macau legal advisers to facilitate our compliance with the relevant Macau laws and regulations, and where necessary, to provide us with training from time to time;
- (d) we will appoint a Hong Kong law firm upon Listing as our Group's external Hong Kong legal advisers to advise us on compliance with the Listing Rules and the applicable Hong Kong laws and regulations and, where necessary, to provide us with the relevant training from time to time;
- (e) our internal control policies cover aspects related to corporate governance, connected transactions and securities transactions by our Directors to ensure our Company complies with the Listing Rules. Our Directors and senior management have attended trainings conducted by our Hong Kong legal advisers on the ongoing obligations, duties and responsibilities of being a director of a publicly listed company under the Companies Ordinance and the Listing Rules;
- (f) we will appoint a compliance officer to monitor the ongoing compliance with the Listing Rules, keep track of updates of the Listing Rules and ensure adequate disclosures;
- (g) we have assigned a designated staff to maintain a record to monitor the attainment and renewal of the licences, approvals and permits required for our projects and ensure that such relevant licences, approvals and permits are renewed prior to their respective expiration dates; and
- (h) we have provided regular internal training programmes in relation to various aspects of our business operations, including project management, occupational health and safety, environmental protection, and accounting and finance matters to our Directors, senior management and key personnel in each of our departments.

We have engaged an independent international accounting firm (the “**Internal Control Consultant**”) to conduct review of our internal control policies and measures related to project management procedures, compliance monitoring controls, finance and accounting procedures, human resources management procedures, fixed asset management procedures and other general control measures. A series of internal control policies and procedures in respect of the aforementioned areas have been adopted. A summary of our internal control system include the following:

- (a) *Risk assessment and management mechanism*: a formal risk assessment and management mechanism will be established by our management with the assistance of the Internal Control Consultant to determine the nature and extent of the risks faced by our Group;

- (b) *Monitoring mechanism on the design and effectiveness of internal control system:* formal mechanism for monitoring the design and operating effectiveness of our Group's internal control system and procedures in regard to financial and operational matters and compliance with applicable laws and regulations will be established. Risk-based internal audit plans will be developed whereby an annual assessment of material controls covering financial, operation and compliance controls as well as risk management functions will be conducted; and
- (c) *Financial reporting and operational processes:* written policies and procedures will be established for key areas of financial reporting and operational processes including financial reporting and disclosure controls, project tendering, revenue management, fixed asset management and cash and treasury management. Appropriate training and communication will be provided to all relevant employees.

Following the interim review by our Internal Control Consultant, our Directors confirm that all the major recommendations provided by our Internal Control Consultant were considered and remedial actions would be taken accordingly to address the internal deficiencies of our Group before Listing. Subsequent to the follow-up review by our Internal Control Consultant, our Directors confirm that all relevant remedial actions have been taken in accordance with the major recommendations of our Internal Control Consultant.

MARKET AND COMPETITION

According to the Industry Report, the E&M engineering services market in Macau is fragmented. In 2019, there were over 200 E&M engineering services works contractors in Macau. According to the Industry Report, Our Group ranked fifth among the E&M engineering services works contractors in Macau in 2019, with a market share of approximately 1.9% in terms of revenue in the Macau E&M engineering services industry in 2019. There are businesses within the industry that specialise in one kind of E&M engineering services works, such as the ELV systems works or the HVAC systems works. These businesses often act as a subcontractor of an E&M project. On the other hand, there are larger players within the industry that are capable of providing one-stop solutions, including design, installation, and maintenance for multiple kinds of E&M engineering services works. These larger players generally act as a main contractor in an E&M project. Nevertheless, it is common for them to subcontract a specific part of an E&M project to other contractors to achieve profit maximisation.

According to the Industry Report, there are several main entry barriers to the E&M engineering services market in Macau. First, there is a general shortage of skilled professionals and labour. According to the Industry Report, the unemployment rate of Macau ranged from 1.7% to 2.0% during the Track Record Period. In addition to its low unemployment rate, the Macau government also has a conservative approach in its policies on the importation of labour. As a result, there is a shortage of blue collar workers in Macau, which directly impacts the construction industry in Macau. Further, the Macau government introduced a stringent and complex registration regime in 2015 for newly qualified engineers to become registered as

RPEs. In order to become an RPE, the new regime requires all qualified engineers to participate in a traineeship under the mentorship of a certified instructor of not less than two years and be approved in an admission examination as organised by the CAEU. Please refer to “Regulatory overview” in this prospectus for further details.

As only RPEs may approve and sign-off the works and projects of certain nature pursuant to Law no. 1/2015 dated 5 January 2015, it is imperative for a company in the construction industry to have its own RPEs in order to be a competitive player. In light of such shortage, newcomers to the market may find it difficult to recruit and retain skilled professionals and labour.

Secondly, customers tend to repeatedly engage contractors that have a good reputation and solid track record. As quality and control of workmanship, speed and efficiency and ability to adhere to contractual time schedules are matters of paramount importance to customers, they will be inclined to choose contractors that they can trust to deliver, thus resulting in repeated engagement of the same contractors, making it difficult for newcomers to secure contracts or participate in project works.

Thirdly, it is important for E&M engineering services works providers to possess a sufficient cash flow. According to the Industry Report, project payment term could be as long as three months to 12 months, depending on the project nature and cash flow liquidity of the project owner. The services providers, being a contractor, would often be required to pay their suppliers and/or subcontractors in advance for the on-time completion of a project. A robust cash flow is therefore critical to works delivery and success within the industry.

Furthermore, maintaining close relationship and network within the E&M engineering services industry accelerates the success of services providers. On the one hand, services providers need to maintain a decent relationship with both private and public developers and/or project owners so as to secure future work as services providers are often invited to participate in a project via tender or fee quotes only, and on the other hand, services providers have to build up their own lists of trusted suppliers and subcontractors so as to ensure adequate human and other resources are at hands when needed. New entrants may therefore find it difficult to knit such network within a short period of time.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

OVERVIEW

Immediately upon completion of the Capitalisation Issue and the Global Offering and taking no account of the Shares which may be issued upon the exercise of options that may be granted under the Share Option Scheme, Macau E&M Group (wholly-owned by Mr. Cheong) and Macau E&M Assets (wholly-owned by Mr. Leong) will hold approximately 39.7% and 10.3% of the number of Shares in issue, respectively. As Mr. Cheong and Mr. Leong have confirmed under the Concert Parties Confirmation that they as parties acting in concert, directly or indirectly through entities controlled by them, have held their interests in, and collectively exercised their control over, the companies comprising our Group through their respective interests in those companies from time to time since they have become the shareholders of the respective companies comprising our Group, each of Mr. Cheong, Macau E&M Group, Mr. Leong and Macau E&M Assets will be regarded as part of the group of our Controlling Shareholders within the meaning of the Listing Rules upon Listing. Macau E&M Group and Macau E&M Assets are investment holding companies. Please refer to “Directors and senior management” in this prospectus for further details of the background information of Mr. Cheong and Mr. Leong.

DELINEATION OF BUSINESS

Our Group is principally engaged in the provision of (i) LV systems works; (ii) HVAC systems works; and (iii) ELV systems works in Macau, and the relevant testing and commissioning thereof as well as management and monitoring of quality and delivery of our E&M engineering services works.

Apart from our business, Mr. Cheong, Mr. Leong and their close associates were also interested in a number of companies and enterprises which do not form part of our Group (the “**Non-included Businesses**”).

The table below sets forth the details of the Non-included Businesses as at the Latest Practicable Date:

<u>Name</u>	<u>Place of incorporation</u>	<u>Shareholders</u>	<u>Directors</u>	<u>Principal business</u>
Ching Wo Cleaning Company Limited	Macau	1. Mr. Cheong (60%) 2. Ms. Lo Chao Ieng (spouse of Mr. Cheong) (40%)	Mr. Cheong Ms. Lo Chao Ieng (spouse of Mr. Cheong)	Cleaning services
Braintech Engineering and Trading, Ltd	Macau	1. Mr. Leong (55%) 2. Independent Third Party (45%)	Mr. Leong and an Independent Third Party	Sale and distribution of split-type and window-type air conditioners

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

<u>Name</u>	<u>Place of incorporation</u>	<u>Shareholders</u>	<u>Directors</u>	<u>Principal business</u>
Constructor Civil Leong Kam Leng (enterprise) ("CCLKL")	Macau	Mr. Leong (100%) (being sole proprietor)	N/A	Construction and renovation works and property maintenance and repairs for residential and small-scale commercial premises and units
Decoracao E Engenharia Decol, Limitada	Macau	1. Mr. Leong (95%) 2. Independent Third Party (5%)	Mr. Leong	Sale and distribution of split-type and window-type air conditioners
Hang Kim Engineering Company Limited	Macau	1. Mr. Leong (92.3%) 2. Mr. Leong Chong Pan ¹ (7.7%)	Mr. Leong and Mr. Leong Chong Pan ¹	Sale and distribution of split-type and window-type air conditioners
Natural Green Cleaning Environmental Consulting Ltd	Macau	1. Mr. Leong (55%) 2. Ms. Leong Kam Iok ² (45%)	Mr. Leong and Ms. Leong Kam Iok ²	Cleaning and maintenance work for residential and commercial premises
Tecnologia Electrico E Ar-condicionado Hang Fung (enterprise)	Macau	Mr. Leong (100%) (being sole proprietor)	N/A	Sale and distribution of electrical appliances (including split- type and window-type air conditioners)

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

<u>Name</u>	<u>Place of incorporation</u>	<u>Shareholders</u>	<u>Directors</u>	<u>Principal business</u>
Wishing Group (Macau) Ltd.	Macau	1. Mr. Leong (50%) 2. Independent Third Party (50%)	Mr. Leong and an Independent Third Party	Sale and distribution and repair and maintenance of split-type and window-type air conditioners

Notes:

- (1) Mr. Leong Chong Pan is the son of Mr. Leong.
- (2) Ms. Leong Kam Iok is the sister of Mr. Leong.

None of our Controlling Shareholders and their close associates is interested in any business which is, whether directly or indirectly, in competition with our business. Apart from our business relating to the provision of comprehensive E&M engineering services works in Macau, which generally involve a combination of the supply and/or installation of (i) LV systems works; (ii) HVAC systems works; and (iii) ELV systems works, and the relevant testing and commissioning as well as management and monitoring of quality and delivery of our E&M engineering services works, Mr. Leong is also interested in a number of companies and enterprises which are engaged in the sale and distribution of air conditioners in Macau (the “**Air-Conditioning Business**”) as well as CCLKL which is engaged in construction and renovations works and property maintenance and repairs for residential and small-scale commercial premises and units. Our Directors are of the view that the Non-included Businesses are not, and will not be, in competition with our business, and they neither form part of our core business nor are in line with our business strategy to be included as part of our Group after Listing.

To the best knowledge of our Directors, the air conditioners, which are sold and distributed under the Air-Conditioning Business, are mainly standalone split-type or window-type air-conditioning units adapted for residential or small-sized office use. In contrast, our Group provides integrated E&M engineering services works, particularly works relating to more comprehensive HVAC systems, including the supply and installation of variable refrigerant volume units, ventilation and exhaust air systems and other related equipment for buildings, as well as LV systems works and ELV systems works. In addition, the target customers of the Air-Conditioning Business are entirely distinguishable from our target customers. The Air-Conditioning Business is targeted towards residential, small to medium enterprises and retail electronics stores, whereas our target customers are mostly government, property developers, hotel owners and/or sizeable project owners. Furthermore, we are capable of providing integrated and comprehensive E&M engineering services solutions, which can be as a combination of all three streams of E&M engineering services works (i.e. LV systems works, HVAC systems works and ELV systems works). Our E&M engineering services works generally involve the supply and/or installation of (i) LV systems work; (ii) HVAC systems

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

works; and (iii) ELV systems works, and the relevant testing and commissioning as well as management and monitoring of quality and delivery of our E&M engineering services works. We are generally responsible for the procurement of materials and equipment, as well as the management and supervision of our workers and subcontractors. On the contrary, the role of the Air-Conditioning Business is confined to the sale and distribution of split-type or window-type air conditioners, and can only provide limited services to customers by way of simple after-sale installation and repairs of the split-type or window-type air-conditioners which have been sold to its customers. Accordingly, our Directors are of the view that our business can be clearly differentiated from and is not, and will not be, in competition with the Air-Conditioning Business.

Furthermore, CCLKL is principally engaged in general construction and renovations works and property maintenance and repairs for residential and small-scale commercial premises and units. The construction and renovation works which CCLKL is involved in are mainly fitting out and decorative works, which may also involve the installation of standalone split-type or window-type air-conditioning units provided under the Air-Conditioning Business, but it does not require comprehensive E&M service works. In contrast, our Group's business is focused on E&M engineering services works, particularly works relating to HVAC systems, LV systems and ELV systems works, which require specialised technical knowledge and expertise in the different types of systems and works. The target customers of the CCLKL Businesses are owners of residential and small-scale commercial premises and units, while our Group's services are provided mainly to government, property developers, hotel owners and/or sizeable project owners. Accordingly, our Directors are of the view that our business can be clearly differentiated from and is not, and will not be, in competition with the business of CCLKL.

In light of the aforesaid, the operations of our Group are independent of and separate from the Non-included Businesses. Our Directors are of the view that there is a clear delineation between the Non-included Businesses and our business. Our Group has not engaged, and have no intention of engaging, in the businesses currently engaged by the Non-included Businesses, and none of the Non-included Businesses is involved in the provision of the E&M engineering services works which our Group is principally engaged in. Moreover, the products and services offered by the Non-included Businesses are not substitutable or complementary to the products and services offered by our Group and there is no potential of overlapping customers between the Non-included Businesses and our Group. Mr. Leong also confirmed that there is no present plan or intention to expand the business of CCLKL beyond its current business nature and scope. The Non-included Businesses are not injected into our Group as our Directors are of the view that the Non-included Businesses have different business focus, business model and target customers as compared to our Group and it will not be in the best interest of our Group to inject the Non-included Businesses to our Group which therefore they neither form part of our core business nor are in line with our business strategy. By excluding the Non-included Businesses from our Group, resources could be concentrated and streamlined on effective implementation of our business strategies.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Based on the unaudited management accounts and/or tax filings for the years ended 31 December 2017, 2018 and 2019 of the Non-included Businesses, the Non-included Businesses has, as a whole, recorded an aggregated net profit in each of the three years ended 31 December 2019. To the best knowledge of our Directors, during the Track Record Period and up to the Latest Practicable Date, there had been no material non-compliance on the applicable laws and regulations committed by the Non-included Businesses, and none of the Non-included Businesses was the subject of any material claims, litigations or legal proceedings.

To ensure that competition will not exist in the future, each of our Controlling Shareholders has entered into the Deed of Non-Competition in favour of our Company to the effect that each of them will not, and will procure each of their respective close associates not to, directly or indirectly participate in, or hold any right or interest, or otherwise be involved in any business which may be in competition with our businesses.

NON-COMPETITION UNDERTAKINGS

Each of our Controlling Shareholders has irrevocably and unconditionally undertaken to us in the Deed of Non-Competition that he/it will not, and will procure his/its close associates (other than members of our Group) not to directly or indirectly be involved in or undertake any business (other than our business) that directly or indirectly competes, or may compete, with our business or undertaking (the “**Restricted Activity**”), or hold shares or interest in any companies or business that compete directly or indirectly with the business engaged by our Group from time to time except where our Controlling Shareholders hold less than 10% of the total issued share capital of any company (whose shares are listed on the Stock Exchange or other stock exchange) which is engaged in any business that is or may be in competition with any business engaged by any member of our Group and they do not control 10% or more of the composition of the board of directors of such company.

Further, each of our Controlling Shareholders has undertaken that if any new business investment or other business opportunity relating to the Restricted Activity (the “**Competing Business Opportunity**”) is identified by or made available to him/it or any of his/its close associates, he/it shall, and shall procure that his/its close associates shall, refer such Competing Business Opportunity to our Company on a timely basis by giving written notice (the “**Offer Notice**”) within 30 business days of identifying the target company (if relevant) and the nature of the Competing Business Opportunity, the investment or acquisition costs and all other details reasonably necessary for our Company to consider whether to pursue such Competing Business Opportunity.

Upon receiving the Offer Notice, our Company shall seek approval from our Board or a board committee (in each case comprising only independent non-executive Directors) which has no interest in the Competing Business Opportunity (the “**Independent Board**”) as to whether to pursue or decline the Competing Business Opportunity (any Director who has an actual or potential interest in the Competing Business Opportunity shall abstain from attending (unless their attendance is specifically requested by the Independent Board) and voting at, and

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

shall not be counted in the quorum for, any meeting convened to consider such Competing Business Opportunity). The Independent Board shall consider the financial impact of pursuing the Competing Business Opportunity offered, whether the nature of the Competing Business Opportunity is consistent with our Group's strategies and development plans and the general market conditions of our business. If appropriate, the Independent Board may appoint independent financial advisers and legal advisers to assist in the decision-making process in relation to such Competing Business Opportunity. The Independent Board shall, within 30 business days of receipt of the written notice referred above, inform our Controlling Shareholders in writing on behalf of our Company its decision whether to pursue or decline the Competing Business Opportunity.

The relevant Controlling Shareholder shall be entitled but not obliged to pursue such Competing Business Opportunity if he/it has received a notice from the Independent Board declining such Competing Business Opportunity or if the Independent Board failed to respond within such 30-day period mentioned above. If there is any material change in the nature, terms or conditions of such Competing Business Opportunity pursued by our Controlling Shareholders, he/it shall refer such revised Competing Business Opportunity to our Company as if it were a new Competing Business Opportunity.

The Deed of Non-Competition will lapse automatically if our Controlling Shareholders and their close associates, taken together, cease to hold, whether directly or indirectly, 30% of the number of Shares in issue or our Shares cease to be listed on the Stock Exchange.

Each of our Controlling Shareholders has further undertaken to us that he/it will provide and procure his/its close associates to provide on best endeavour basis, all information necessary for the annual review by our independent non-executive Directors for the enforcement of the Deed of Non-Competition. They will make an annual declaration in our annual report on the compliance with the Deed of Non-Competition in accordance with the principle of voluntary disclosure in the corporate governance report.

In addition, our Company will take the following measures to safeguard good corporate governance standards in respect of the Deed of Non-Competition:

- our independent non-executive Directors shall review, at least on an annual basis, the compliance with the Deed of Non-Competition by our Controlling Shareholders;
- we will disclose the decisions on matters reviewed by the independent non-executive Directors (including the reasons for not taking up the Competing Business Opportunity referred to our Company) and the review by our independent non-executive Directors on the compliance with, and the enforcement of, the Deed of Non-Competition in our annual report or by way of announcement to the public in compliance with the requirements of the Listing Rules; and
- in the event that any of our Directors and/or their respective close associates has material interests in any matter to be deliberated by our Board in relation to the compliance and enforcement of Deed of Non-Competition, he/she may not vote on the resolutions of our Board approving the matter and shall not be counted towards the quorum for the voting pursuant to the applicable provisions in the Articles of Association.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

We believe that our Group is capable of carrying on our business independently of, and at arm's length from the Non-included Business, our Controlling Shareholders and their respective close associates (other than our Group) after Listing for the following reasons:

Management Independence

Our Board currently comprises two executive Directors and three independent non-executive Directors. While Mr. Cheong and Mr. Leong were interested in other businesses, they have confirmed they will not devote substantial time in those businesses going forward save for attending from time to time the relevant board meetings of those businesses. In particular, while Mr. Leong was the director in a number of companies which do not form part of our Group, Mr. Leong has confirmed that his responsibilities in those companies were mainly focused on overseeing the management and strategic development and he was not actively involved in their day-to-day operations and management. When performing their respective duties in our Group and the relevant companies, Mr. Cheong and Mr. Leong have been and will continue to be supported by the separate and independent board and/or senior management team of our Group and the relevant businesses. On this basis, Mr. Cheong and Mr. Leong confirmed that their involvements in these businesses will not affect the discharge of his duties as a Director to our Group. It is expected that they will spend substantially all of their working time in the operations of our Group after Listing.

In the event that Mr. Leong is required to absent himself from any board meeting on any matter which may give rise to a potential conflict of interest with the Non-included Business, our remaining Directors will have sufficient expertise and experience to fully consider any such matter. Notwithstanding the interest of Mr. Leong in the Non-included Business, our Directors, including the independent non-executive Directors, are of the view that our Board is able to manage our business on a full time basis independently from the Non-included Business for the following reasons:

- (a) the Non-included Business does not compete with our core business, and there are adequate corporate governance measures in place to manage the existing and potential conflicts of interest. Therefore, the interests of Mr. Leong in the Non-included Business will not affect the requisite degree of impartiality of Mr. Leong as our executive Director in discharging his fiduciary duties owed to our Company;
- (b) we have three independent non-executive Directors, and certain matters of our Group, including matters referred to in the Deed of Non-Competition, details of which are set out in "Non-Competition Undertakings" in this section above, must always be referred to the independent non-executive Directors for review. This helps to enhance the independence of our management from that of the Excluded Group;

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (c) in the event of a conflict of interest, Mr. Leong will abstain from voting, will not be present at the relevant Board meetings and will be excluded from deliberation by our Board. Hence, Mr. Leong would not be able to influence our Board in making decisions on matters in which they are, or may be, interested. We believe all of our Directors, including the independent non-executive Directors, have the requisite qualifications, integrity and experience to maintain an effective board and observe their fiduciary duties in the event of a conflict of interest. Please refer to “Directors and senior management – Board of Directors” in this prospectus for a summary of the relevant experience and qualifications of our Directors; and
- (d) save as disclosed herein, our daily operations will be managed by our senior management team, none of whom holds any senior managerial position or directorship position under the Non-included Business.

Operational Independence

We are independent from our Controlling Shareholders as we do not share operational facilities with our Controlling Shareholders, and we have independent access to suppliers and customers, as well as an independent management team to handle our day-to-day operations. We are also in possession of all relevant licenses necessary to carry on and operate our business and we have sufficient operational capacity in terms of capital and employees to operate independently from our Controlling Shareholders.

Financial Independence

As at the Latest Practicable Date, we had no outstanding loans, advances and balances due from/to our Controlling Shareholders and their respective close associates. All guarantees provided by our Controlling Shareholders and their respective close associates on our Group’s borrowing will be released and replaced with corporate guarantees provide by our Company upon Listing. Our Directors are of the view that our Group is capable of obtaining financing from external sources without the need of any guarantee or security provided by our Controlling Shareholders and their respective close associates after the Listing. Accordingly, we believe we are able to maintain financial independence from our Controlling Shareholders and their respective close associates. In addition, we have our own internal control and accounting systems, accounts department for cash receipts and payment and independent access to third-party financing.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

CORPORATE GOVERNANCE MEASURES

Our Controlling Shareholders and their respective close associates may not compete with us as provided in the Deed of Non-Competition. Each of our Controlling Shareholders has confirmed that he/it fully comprehends his/its obligations to act as our Shareholders' best interests as a whole. Our Directors believe that there are adequate corporate governance measures in place to manage potential conflicts of interest between our Group on one hand and our Controlling Shareholders and/or our Directors on the other after Listing. In particular, we have implemented the following measures:

- (a) as part of our preparation for the Listing, we have amended the Articles of Association to comply with the Listing Rules. In particular, the Articles of Association provided that, unless otherwise provided, a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his or her close associates have a material interest nor shall such Director be counted in the quorum present at the meeting;
- (b) a Director with material interests shall make full disclosure in respect of matters that conflict or potentially conflict with our interest and absent himself from the board meetings on matters in which such Director his associates have a material interest, unless the attendance or participation of such Director at such meeting of the Board is specifically requested by a majority of the independent non-executive Directors;
- (c) we are committed that our Board should include a balanced composition of executive Directors and independent non-executive Directors. We have appointed three independent non-executive Directors and we believe our independent non-executive Directors possess sufficient experience and they are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgement and will be able to provide an impartial, external opinion to protect the interests of our public Shareholders. Details of our independent non-executive Directors are set out in "Directors and senior management – Board of Directors – Independent non-executive Directors" in this prospectus;
- (d) we have appointed Innovax Capital Limited as our compliance adviser, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to directors' duties and corporate governance;
- (e) as required by the Listing Rules, our independent non-executive Directors shall review any connected transactions annually and confirm in our annual report that such transactions have been entered into in our ordinary and usual course of business, are either on normal commercial terms or on terms no less favourable to us than those available to or from Independent Third Parties and on terms that are fair and reasonable and in the interests of our Shareholders as a whole; and
- (f) on an annual basis, our independent non-executive Directors will review the non-compete undertakings provided by our Controlling Shareholders and their compliance with such undertakings.

DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Our Board currently consists of five Directors, comprising two executive Directors and three independent non-executive Directors. The powers and duties of our Board include convening general meetings and reporting our Board's work at our Shareholders' meetings, determining our business and investment plans, preparing our annual financial budgets and final reports, formulating proposals for profit distributions and for the increase or reduction of our registered capital as well as exercising other powers, functions and duties as conferred by our Memorandum and Articles of Association. We have entered into a service contract with each of our executive Directors. We have also entered into a letter of appointment with each of our independent non-executive Directors.

The table below shows certain information in respect of members of our Board and senior management:

Members of our Board

Name	Age	Date of joining our Group	Date of appointment as Director	Existing position in our Company	Roles and responsibilities
Mr. Cheong Ka Wo (張嘉和)	41	27 January 2011	24 October 2017	Chairman, Chief Executive Officer and executive Director	Overall management and supervision of the daily operations of our Group
Mr. Leong Kam Leng (梁金玲)	49	27 January 2011	24 October 2017	Executive Director	Strategic planning of our Group
Mr. Law Lap Tak (羅納德)	49	21 August 2020	21 August 2020	Independent non-executive Director	Supervising and providing independent advice to the Board
Ms. Lee Sze Ming (李思鳴)	48	21 August 2020	21 August 2020	Independent non-executive Director	Supervising and providing independent advice to the Board
Mr. Chan Ming Kit (陳銘傑)	50	21 August 2020	21 August 2020	Independent non-executive Director	Supervising and providing independent advice to the Board

DIRECTORS AND SENIOR MANAGEMENT

Members of our senior management

Name	Age	Date of joining our Group	Date of appointment as senior management	Existing position in our Company	Roles and responsibilities
Chang Hong Lun (曾鴻聯)	37	1 March 2012	1 March 2012	Head of HVAC Department	Responsible for management of HVAC systems works
Tai Hoi Tun (戴開端)	38	16 December 2011	16 December 2011	Head of Electrical Department	Responsible for management of LV systems works and ELV systems works
Wong, Joyce Kit Sin (黃杰茜)	37	25 November 2019	25 November 2019	Finance controller	Responsible for finance management of our Group

Executive Directors

Mr. Cheong Ka Wo, aged 41, was appointed as a Director in October 2017 and was re-designated as an executive Director on 17 April 2020. Mr. Cheong is the chairman and chief executive officer of our Company and a director of all of our subsidiaries. He is responsible for the overall management and supervision of the daily operations of our Group.

Mr. Cheong has over 19 years of experience in the electrical engineering industry. Prior to establishing Kento Engineering in January 2011, Mr. Cheong worked as an electrical engineer in various construction contractors in Macau, where he commenced his career in the electrical and engineering industry, including his role as an engineer at CAA City Planning & Engineering Consultants Ltd. (新域城市規劃暨工程顧問有限公司), a company engaged primarily in urban planning, transportation planning, urban renewal studies and cultural heritage studies from October 2001 to January 2003, where he was responsible for E&M system designs. From January 2003 to June 2004, Mr. Cheong was an electrical engineer of Consolidated Engineering Co., Ltd. (嘉匯工程有限公司), a company experienced in electrical and mechanical engineering projects involving installation and maintenance of air conditioning systems and electrical engineering works, where he was responsible for management of electrical and ELV system engineering works. He was also a technician of Institute for Tourism Studies (澳門旅遊學院), a public education institute under the Macau government from July 2004 during which he was responsible for the management of engineering works. Mr. Cheong then resumed his role at Consolidated Engineering Co., Ltd. as an electrical engineer from May

DIRECTORS AND SENIOR MANAGEMENT

2006 to December 2009, where he was then responsible for management of electrical and ELV system engineering works. From January to December 2010, he served as an electrical engineer at San Ka U Engineering Co., Ltd. (新嘉裕工程有限公司), a company primarily engaged in electrical and mechanical engineering projects where he was responsible for the management of electrical and ELV system engineering works.

Mr. Cheong obtained his bachelor degree in electromechanical engineering from the University of Macau (Universidade de Macau) in July 2001.

As at the Latest Practicable Date and the three years immediately preceding, Mr. Cheong did not hold any current or past directorships in any listed companies, the securities of which are listed on any securities market in Hong Kong or overseas.

Mr. Cheong is one of our Controlling Shareholders.

Mr. Leong Kam Leng, aged 49, was appointed as a Director in October 2017 and was re-designated as an executive Director on 17 April 2020. Mr. Leong is also a director of all of our subsidiaries. He is responsible for the strategic planning of our Group.

Mr. Leong has over 29 years of experience in the electrical engineering and maintenance industry. Prior to establishing Kento Engineering in January 2011, Mr. Leong worked as a manager in Decoracao E Engenharia Decol, Limitada (達利萬室內設計有限公司) in Macau, a company engaged in the sale and distribution of air conditioners, from January 1991 to December 2010, where he was responsible for on-site management and operations. Mr. Leong has also accumulated more than 20 years of management and operational experiences in the E&M engineering services industry under several business ventures in Macau which he has founded.

Mr. Leong obtained a diploma on electromechanical techniques of industrial maintenance secondary technical – professional education (curso de técnicas de electromecânica de manutenção industrial do ensino secundário complementar técnico – profissional) from the Luso-Chinese School of Technical Professional (Escola Luso – Chinesa Técnico – Profissional) in June 2007. Mr. Leong obtained a professional diploma in interior design from the University of Macau in July 2008 and a certificate in construction safety supervisor (Encarregado de segurança na construção civil) from the University of Macau in February 2011.

Mr. Leong is one of our Controlling Shareholders.

As at the Latest Practicable Date and the three years immediately preceding, Mr. Leong did not hold any current or past directorships in any listed companies, the securities of which are listed on any securities market in Hong Kong or overseas.

DIRECTORS AND SENIOR MANAGEMENT

Independent non-executive Directors

Mr. Law Lap Tak, aged 49, was appointed as an independent non-executive Director on 21 August 2020.

Mr. Law held various positions in an international accounting firm from July 1992 to October 1999 where he last served as a manager, responsible for audit planning and control as well as supervision of audit staff. He joined China Rare Earth Holdings Limited (previously named Yixing Xinwei Holdings Limited), a company listed on the Main Board of the Stock Exchange (stock code: 769) which is primarily engaged in the manufacture and sales of rare earth and refractory products, as financial controller and company secretary since November 1999, where he supervises the overall financial management including corporate accounting, financial reporting and regulatory compliance of the company where he has been familiar with relevant law and regulations of a listed company as well as the obligations and duties imposed upon directors.

Mr. Law earned his bachelor degree in business administration in accounting from Hong Kong Baptist University (previously known as the Hong Kong Baptist College) in December 1992. He is currently a member of the Hong Kong Institute of Certified Public Accountants (previously known as Hong Kong Society of Accountants) (since November 1996), a fellow of The Association of Chartered Certified Accountants (since July 2001) and a member of the Institute of Public Accountants in Australia (since March 2013).

As at the Latest Practicable Date and the three years immediately preceding, save as disclosed above, Mr. Law did not hold any current or past directorships in any listed companies, the securities of which are listed on any securities market in Hong Kong or overseas.

Ms. Lee Sze Ming, aged 48, was appointed as our independent non-executive Director on 21 August 2020. Ms. Lee has over 20 years of experience in legal profession specialising in employees' compensation, personal injuries, property damage and conveyancing.

Ms. Lee joined Messrs. Lau Chan & Ko, a law firm in Hong Kong specialising in property and conveyancing from August 2000 to September 2006 where she last served as a partner being responsible for handling property related transactions, employees' compensations and personal injuries claims. She was also a partner of Messrs. Fongs (previously known as Messrs. Fong Chan & Lee), a law firm in Hong Kong specialising in conveyancing from September 2006 to February 2009 where she was responsible for handling property related transactions, employees' compensations and personal injuries claims. Ms. Lee is currently a partner of Messrs. Rita Law & Co., a law firm in Hong Kong, having joined the firm in March 2009 where she is responsible for overseeing the litigation department, dealing with high value personal injuries and employees' compensation cases and providing legal advice to the general public, and has developed an understanding of the legal framework and areas of concerns of the construction industry.

Ms. Lee obtained her bachelor of laws and postgraduate certificate in laws from The University of Hong Kong in December 1994 and September 1995, respectively. Since December 1997 she was admitted as a solicitor in Hong Kong.

DIRECTORS AND SENIOR MANAGEMENT

As at the Latest Practicable Date and the three years immediately preceding, Ms. Lee did not hold any current or past directorships in any listed companies, the securities of which are listed on any securities market in Hong Kong or overseas.

Mr. Chan Ming Kit, aged 50, was appointed as our independent non-executive Director on 21 August 2020. Mr. Chan has over 20 years of experience in auditing, corporate finance and business valuation.

Starting from January 1993, Mr. Chan took on various roles at different professional accounting firms, including as senior manager at various offices in Hong Kong and the PRC of Deloitte Touche Tohmatsu, PricewaterhouseCoopers and Ernst & Young where he was responsible for auditing works and financial services for clients. From October 2006, Mr. Chan took his role as director of business and financial valuations department at Sallmanns, a corporate valuation and consultancy firm where he was responsible for development of business valuation services. He later assumed the position as director of Jones Lang LaSalle Corporate Appraisal and Advisory Limited (previously known as Jones Lang LaSalle Sallmanns Limited) in February 2008, upon the merger of Sallmanns with Jones Lang LaSalle Limited, and was responsible for the development of business valuation services and has experience in providing valuation and consultancy advices to clients including development consultancy, feasibility studies, market studies, cost analysis and business valuations for various industries, including the E&M industry, which enables him to understand and evaluate the various factors, including costs, timeframe, materials, design and methods, that are relevant to the E&M industry. Mr. Chan is now serving as regional director of Jones Lang LaSalle Corporate Appraisal and Advisory Limited, being part of Jones Lang LaSalle, a Fortune 500 company and a leading professional services firm specialising in real estate and investment management.

Mr. Chan is currently a fellow member of Hong Kong Institute of Certified Public Accountants since December 2010 and a fellow member of CPA Australia since May 2009. He was also elected as a professional member of Royal Institution of Chartered Surveyors and elected as a fellow member of Royal Institution of Chartered Surveyors in February 2014 and July 2016, respectively.

Mr. Chan gained his bachelor of commerce from the University of Melbourne in Australia in December 1992.

As at the Latest Practicable Date and the three years immediately preceding, Mr. Chan did not hold any current or past directorships in any listed companies, the securities of which are listed on any securities market in Hong Kong or overseas.

Save as disclosed above, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no other matter with respect to our Directors that needs to be brought to the attention of the Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) or paragraph 41(3) of Appendix 1A of the Listing Rules.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Chang Hong Lun, aged 37, is our head of HVAC department since March 2012 and is primarily responsible for management of HVAC systems works.

Prior to joining our Group, Mr. Chang Hong Lun was an air condition engineer at an experienced electrical and mechanical engineering company, Consolidated Engineering Co. Ltd. (嘉匯工程有限公司), from October 2006 to December 2009, where he was responsible for management of air-conditioning system. From January 2010 to October 2011, Mr. Chang Hong Lun also served as an air condition engineer at San Ka U Engineering Co. Ltd. (新嘉裕工程有限公司), a company primarily engaged in electrical and mechanical engineering projects where he was responsible for management of air-conditioning system.

Mr. Chang Hong Lun obtained his bachelor's degree in electrical and electronic engineering from the University of Macau (Universidade de Macau) in October 2006. Mr. Chang Hong Lun has become a RPE since 2009.

As at the Latest Practicable Date and the three years immediately preceding, Mr. Chang Hong Lun had not been a director of any other listed companies, the securities of which are listed on any securities market in Hong Kong or overseas.

Mr. Tai Hoi Tun, aged 38, is our head of electrical department since December 2011 and is primarily responsible for management of LV systems works and ELV systems works.

Prior to joining our Group, Mr. Tai was a mechanical engineer at Shun Heng Construction Company Ltd. (迅興建築有限公司), a company mainly involve in civil construction where he was responsible for management of sub-contractors from May 2005 to August 2007. From September 2007 to December 2009, Mr. Tai was an assistant engineer in an electrical and mechanical engineering company, Consolidated Engineering Co. Ltd. (嘉匯工程有限公司), where he was responsible for management of electrical works. From January 2010 to December 2011, Mr. Tai also served as an E&M engineer at San Ka U Engineering Co. Ltd. (新嘉裕工程有限公司), a company primarily engaged in electrical and mechanical engineering projects where he was responsible for management of E&M works.

Mr. Tai obtained his bachelor's degree in mechanical engineering and automation from the South China University of Technology in July 2004. Mr. Chang has become a RPE since 2008.

As at the Latest Practicable Date and the three years immediately preceding, Mr. Tai had not been a director of any other listed companies, the securities of which are listed on any securities market in Hong Kong or overseas.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Wong, Joyce Kit Sin, aged 37, was appointed as our finance controller on 25 November 2019 and is responsible for finance management of our Group.

Prior to joining our Group, Ms. Wong held various positions since April 2006 at Deloitte Touche Tohmatsu, a professional accounting firm, where she left as a senior auditor in May 2008. From May 2008 to June 2011, Ms. Wong was an internal auditor of Galaxy Casino, S. A. (銀河娛樂場股份有限公司), a subsidiary owned as to 90% by Galaxy Entertainment Group Limited (stock code: 27), where her job duties include plan and budget audit assignments and developing audit programs. Ms. Wong then joined Orient Town Project Management Ltd. (華鎮項目管理有限公司), a property development company from July 2010 to May 2011 as assistance finance manager, where she was responsible for treasury management, preparation of financial reports and monitoring accounting control. She was a finance manager at Ponte 16 Group, a hotel-casino resort held as to 51% by SJM Holdings Limited (stock code: 880) and as to 49% by Success Universe Group Limited (實德環球有限公司) (stock code: 487), from June 2011 to October 2015, where she was responsible for preparation of financial statements and analysis report for hotel operations. From October 2015 to September 2018, Ms. Wong was the finance manager of China Overseas Land & Investment Ltd. (中國海外發展有限公司) (stock code: 688), where she was responsible for overseeing all finance matters relating to property development projects and hotel business in Macau of the company. From December 2018 to August 2019, she served various positions with her last position as assistant financial controller of Asia Allied Infrastructure Holdings Limited (亞洲聯合基建控股有限公司) (stock code: 711), where she was responsible for formulating financial models and tax planning for the new projects of the company.

Ms. Wong obtained her bachelor's degree in business administration in accounting from the University of Hawai'i at Mānoa in August 2005. She was admitted as a member of the CPA Australia in June 2016.

As at the Latest Practicable Date and the three years immediately preceding, Ms. Wong had not been a director of any other listed companies, the securities of which are listed on any securities market in Hong Kong or overseas.

None of our Directors and senior management is personally related to any of our Directors, senior management, substantial shareholders or Controlling Shareholders.

COMPANY SECRETARY

Mr. Chan Yat Lui (陳溢磊), aged 36, was appointed as our company secretary on 17 April 2020 and is responsible for company secretarial matters of our Company.

Prior to joining our Group, Mr. Chan served various positions with his last position being audit supervisor at Yiu Cho Yan Certified Public Accountant from June 2005 to May 2011. From June 2011 to November 2014, Mr. Chan was a senior in the corporate recovery department in KLC Kennic Lui & Co. Certified Public Accountants and was subsequently promoted to manager in the same firm. From January 2015 to December 2015, he returned to

DIRECTORS AND SENIOR MANAGEMENT

Yiu Cho Yan Certified Public Accountant serving as an audit manager. He served as the financial controller and company secretary of Super Strong Holdings Limited, a company whose shares are listed on GEM of the Stock Exchange (Stock code: 8262) from January 2016, and has resigned from the position of company secretary and financial controller on 26 September 2017 and on 13 October 2017, respectively. He was also a company secretary of Shanghai Realway Capital Assets Management Co., Ltd., a company whose shares are listed on the Main Board of the Stock Exchange (Stock code: 1835), from November 2018 to October 2019. Since November 2019, Mr. Chan has been appointed as a director of Frank Forensic and Corporate Recovery Limited, a company primarily engaged in providing financial investigations, forensic accounting, expert witness and litigation support, corporate rescue and recovery, and internal compliance advisory services where he is responsible for leading company liquidations, personal bankruptcy cases, forensic investigations, receiverships and compliance advisory engagements.

Mr. Chan has been a certified public accountant of Hong Kong Institute of Certified Public Accountants since February 2010, and is currently a certified tax adviser (non-practising) of the Taxation Institute of Hong Kong. Mr. Chan obtained an associate degree in business administration in accountancy from the City University of Hong Kong in November 2005.

As at the Latest Practicable Date and the three years immediately preceding, Mr. Chan had not been a director of any other listed companies, the securities of which are listed on any securities market in Hong Kong or overseas.

BOARD COMMITTEE

Audit committee

We have established an audit committee on 21 August 2020 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules. The audit committee consists of three members, namely Mr. Law Lap Tak, Mr. Chan Ming Kit and Ms. Lee Sze Ming, all being independent non-executive Directors. The audit committee is chaired by Mr. Law Lap Tak. The primary duties of the audit committee are to assist our Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management system of our Group, to oversee the audit process, to develop and review our policies and to perform other duties and responsibilities as assigned by our Board.

Remuneration committee

We have established a remuneration committee on 21 August 2020 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph B.1 of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules. The remuneration committee consists of three members, namely Mr. Chan Ming Kit, Mr. Law Lap Tak and Ms. Lee Sze Ming, all being independent non-executive Directors. The remuneration committee is chaired

DIRECTORS AND SENIOR MANAGEMENT

by Mr. Chan Ming Kit. The primary duties of the remuneration committee include (but without limitation): (i) making recommendations to our Directors regarding our policy and structure for the remuneration of all our Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policies; (ii) making recommendations to our Board on the remuneration packages of our Directors and senior management; (iii) reviewing and approving the management's remuneration proposals with reference to our Board's corporate goals and objectives; and (iv) considering and approving the grant of share options to eligible participants pursuant to the Share Option Scheme.

During the Track Record Period, our remuneration policy for our Directors and senior management members was based on their experience, level of responsibility and general market conditions. Any discretionary bonus and other merit payments are linked to the profit performance of our Group and the individual performance of our Directors and senior management members. We intend to adopt the same remuneration policy after the Listing, subject to review by and the recommendations of our remuneration committee.

Nomination committee

We have established a nomination committee on 21 August 2020 with written terms of reference in compliance with paragraph A.5 of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules. The nomination committee consists of three members, namely Ms. Lee Sze Ming, Mr. Law Lap Tak and Mr. Chan Ming Kit, all being independent non-executive Directors. The nomination committee is chaired by Ms. Lee Sze Ming. The primary function of the nomination committee is to review the structure, size and composition (including the skills, knowledge and experience) of our Board, make recommendations on any proposed changes to our Board to complement our corporate strategy and make recommendations to our Board on the appointment of members of our Board.

CORPORATE GOVERNANCE

Our Directors recognise the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of our Group so as to achieve effective accountability. We are committed to achieving high standards of corporate governance with a view to safeguarding the interests of our Shareholders as a whole.

Our Company is committed to the view that our Board should include a balanced composition of executive, non-executive and independent non-executive Directors so that there is a strong independent element on our Board, which can effectively exercise independent judgement.

Our Board includes two executive Directors and three independent non-executive Directors. We believe our independent non-executive Directors possess sufficient experience as directors and members of the audit committee of listed companies in Hong Kong, which will provide our Board the benefit of their skills, expertise and varied backgrounds and qualifications to complement our corporate development. Each of them will also serve as

DIRECTORS AND SENIOR MANAGEMENT

members of our audit committee and will be responsible for overseeing our financial reporting system, risk management and internal control systems. Furthermore, they are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide an impartial, external opinion to protect the interests of our public Shareholders.

Our Board assumes the responsibility for overseeing the overall management and strategic planning of our Group through directing and supervising our affairs. Our Directors (including our independent non-executive Directors) will be provided in a timely manner with appropriate information in the form and quality to enable them to make an informed decision and perform their duties and responsibilities. Our Directors may make further enquiries for more information and have separate and independent access to our senior management and operational staff. There is also procedure in place to enable our Directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at our expense, to assist them perform their duties to our Company.

According to code provision A.2.1 of the Corporate Governance Code (the “**CG Code**”) in Appendix 14 to the Listing Rules, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Cheong is currently the chairman and chief executive officer of our 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 our Group since the establishment of Kento Engineering in January 2011, our Board believes that it is in the best interest of our Group to have Mr. Cheong taking up both roles for effective management and operations. Therefore, our Directors consider that the deviation from such code provision is appropriate. Notwithstanding such deviation, our Directors are of the view that our Board is able to work efficiently and perform its responsibilities with all key and appropriate issues discussed in a timely manner. In addition, as all major decisions will be made in consultation with members of our Board and the relevant Board committee, and there are three independent non-executive Directors on our Board offering independent perspective, our Board is therefore of the view that there are adequate safeguards in place to ensure sufficient balance of powers within our Board. Our Board shall nevertheless review the structure and composition of our Board and senior management from time to time in light of prevailing circumstances to maintain a high standard of corporate governance practices of our Company.

Our Directors are aware that upon Listing, we are expected to comply with the code provisions stated in the CG Code. Any deviation from the code provisions, including the aforesaid deviation, shall however be carefully considered, and the reasons for any deviation shall be given in the interim report and the annual report in respect of relevant period. Save as the aforesaid, we will comply with the code provisions set out in Appendix 14 to the Listing Rules after the Listing.

DIRECTORS AND SENIOR MANAGEMENT

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our executive Directors and senior management, who are also our employees, receive, in their capacity as our employees, compensation in the form of salary, cash bonus and other allowance.

The aggregate amount of remuneration including fees, salaries, allowances and benefits in kind, performance related bonuses and pension scheme contribution which were paid to our Directors for the Track Record Period, was approximately MOP0.5 million, MOP0.7 million, MOP0.7 million and MOP0.1 million, respectively.

Our Group's five highest paid individuals included one of our executive Directors. Excluding this Director, the aggregate amount of remuneration including salaries, allowances, and benefits in kind and pension scheme contributions which were paid by our Group to our four highest paid individuals for the Track Record Period were approximately MOP3.5 million, MOP4.4 million, MOP4.9 million and MOP0.8 million, respectively.

No remuneration was paid by our Group to our Directors or the five highest paid individuals as an inducement to join or upon joining our Group or as a compensation for loss of office during the Track Record Period. Further, none of our Directors waived any remuneration during the same periods.

Under our arrangements currently in force, the aggregate remuneration (including fees, salaries, allowances and benefits in kind and pension scheme contribution, but excluding discretionary bonuses) of our Directors for the year ending 31 December 2020 is estimated to be no more than MOP2.0 million.

Our Board will review and determine the remuneration and compensation packages of our Directors and senior management and, following the Listing, will receive recommendation from the remuneration committee which will take into account salaries paid by comparable companies, time commitment and responsibilities of our Directors and performance of our Group.

BOARD DIVERSITY POLICY

Our Board has adopted a board diversity policy which sets out the objective and approach to achieve diversity of our Board. Our Group recognises the benefits of having a diversified Board and sees increasing diversity at the Board level as an essential element in supporting the attainment of our Group's strategic objectives and sustainable development. Our Group seeks to achieve diversity of our Board through the consideration of a number of factors, including but not limited to professional experience, skills, knowledge, education background, gender, age and ethnicity.

Our Directors have a balanced mix of experiences, including overall management, brand improvement, business development, legal, finance, auditing and accounting experiences. The ages of our Directors range from 41 years old to 50 years old, and their education background

DIRECTORS AND SENIOR MANAGEMENT

ranges from engineering and accounting to law, with degrees awarded by education institutions in Macau, Hong Kong and Australia. In addition, we recognise the particular importance of gender diversity to our Board. At present, one of our independent non-executive Directors is female. While we will continue to apply the principle of appointments based on merits with reference to board diversity as a whole, we will take steps to promote gender diversity at all levels of our Group by recruiting staff at a mid to senior level with regard to the benefits of gender diversity and engaging more resources in training female staff who we consider having the suitable experience, skills and knowledge for our business so that we will have a pipeline of female senior management and potential successors to our Board in a few years' time.

After Listing, our nomination committee will review the board diversity policy and its implementation from time to time and at least once annually to ensure its implementation and monitor its continued effectiveness, and we will report annually to our Shareholders in our corporate governance report our board diversity policy, the results of review by our nomination committee, any measurable objectives set for implementing the board diversity policy and the progress on achieving these objectives in accordance with the Listing Rules after Listing.

SHARE OPTION SCHEME

We have adopted the Share Option Scheme. Please refer to “D. Other information – 1. Share Option Scheme” in Appendix IV to this prospectus for details of the Share Option Scheme.

COMPLIANCE ADVISER

We have appointed Innovax Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise us in the following circumstances:

- (a) before the publication of any regulatory announcement, circular or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- (c) where we propose to use the net proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and
- (d) where the Stock Exchange makes an enquiry of us regarding unusual movements in the price or trading volume of our Shares.

The term of the appointment will commence on the Listing Date and end on the date which we distribute our annual report of our financial results for the first full financial year commencing after the Listing Date.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, the following persons will, immediately following the completion of the Capitalisation Issue and the Global Offering, without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme, have beneficial interests or short positions in our Shares or underlying Shares which would be required to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the issued voting shares of our Company:

Name of Shareholders	Nature of interest	Shares held immediately prior to the Capitalisation Issue and Global Offering ⁽¹⁾		Shares held immediately following the completion of the Capitalisation Issue and Global Offering ⁽¹⁾	
		Number	Percentage (approx.)	Number	Percentage (approx.)
Mr. Cheong ⁽²⁾	Interest of controlled corporation	500 (L)	50%	198,450,000 (L)	39.7%
Macau E&M Group	Beneficial owner	500 (L)	50%	198,450,000 (L)	39.7%
Ms. Lo Chao Ieng ⁽³⁾	Interest of spouse	500 (L)	50%	198,450,000 (L)	39.7%
Mr. Leong ⁽⁴⁾	Interest of controlled corporation	130 (L)	13%	51,597,000 (L)	10.3%
Macau E&M Assets	Beneficial owner	130 (L)	13%	51,597,000 (L)	10.3%
Ms. Leong Kam In ⁽⁵⁾	Interest of spouse	130 (L)	13%	51,597,000 (L)	10.3%
Mr. Tam ⁽⁶⁾	Interest of controlled corporation	230 (L)	23%	77,637,000 (L)	15.5%
One Wesco	Beneficial owner	230 (L)	23%	77,637,000 (L)	15.5%
Ms. Law Ming Chu ⁽⁷⁾	Interest of spouse	230 (L)	23%	77,637,000 (L)	15.5%
Mr. Tsang ⁽⁸⁾	Interest of controlled corporation	140 (L)	14%	47,316,000 (L)	9.5%
Bridge Capital	Beneficial owner	140 (L)	14%	47,316,000 (L)	9.5%
Ms. Li Sau Fun ⁽⁹⁾	Interest of spouse	140 (L)	14%	47,316,000 (L)	9.5%

Notes:

- (1) The letter “L” denotes the person’s long position in the Shares.
- (2) Macau E&M Group is wholly owned by Mr. Cheong. By virtue of the SFO, Mr. Cheong is deemed to be interested in the Shares held by Macau E&M Group.
- (3) Ms. Lo Chao Ieng is the spouse of Mr. Cheong. By virtue of the SFO, Ms. Lo Chao Ieng is deemed to be interested in the Shares in which Mr. Cheong is interested.
- (4) Macau E&M Assets is wholly owned by Mr. Leong. By virtue of the SFO, Mr. Leong is deemed to be interested in the Shares held by Macau E&M Assets.
- (5) Ms. Leong Kam In is the spouse of Mr. Leong. By virtue of the SFO, Ms. Leong Kam In is deemed to be interested in the Shares in which Mr. Leong is interested.

SUBSTANTIAL SHAREHOLDERS

- (6) One Wesco is wholly-owned by Mr. Tam. By virtue of the SFO, Mr. Tam is deemed to be interested in the Shares held by One Wesco.
- (7) Ms. Law Ming Chu is the spouse of Mr. Tam. By virtue of the SFO, Ms. Law Ming Chu is deemed to be interested in the Shares in which Mr. Tam is interested.
- (8) Bridge Capital is wholly-owned by Mr. Tsang. By virtue of the SFO, Mr. Tsang is deemed to be interested in the Shares held by Bridge Capital.
- (9) Ms. Li Sau Fun is the spouse of Mr. Tsang. By virtue of the SFO, Ms. Li Sau Fun is deemed to be interested in the Shares in which Mr. Tsang is interested.

Except as disclosed in this prospectus, our Directors are not aware of any person who will, immediately following the completion of the Capitalisation Issue and the Global Offering (assuming no Shares are to be issued upon the exercise of any options which may be granted under the Share Option Scheme, have beneficial interests or short positions in any Shares or underlying Shares, which would be required to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly interested in 10% or more of the issued voting shares of any member of our Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

SHARE CAPITAL

The following is a description of the share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately before and following the completion of the Global Offering (without taking into account the Shares which may be issued pursuant to the exercise of options granted under the Share Option Scheme) and the Capitalisation Issue:

	<u>Nominal value</u> <i>HK\$</i>
Authorised share capital:	
2,000,000,000 Shares of HK\$0.01 each	20,000,000
Issued and to be issued, fully paid or credited as fully paid:	
1,000 Shares in issue as of the date of this prospectus	10
396,899,000 ^(Note) Shares to be issued pursuant to the Capitalisation Issue	3,968,990
<u>103,100,000</u> Shares to be issued under the Global Offering	<u>1,031,000</u>
<u>500,000,000</u> Total	<u>5,000,000</u>

Note: This includes 21,900,000 Sale Shares to be sold under the Global Offering.

ASSUMPTIONS

The above table assumes that the Global Offering becomes unconditional and the issue of Shares pursuant to the Global Offering and Capitalisation Issue are made. It takes no account of any Shares which may be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme or any Shares which may be issued or bought back by us pursuant to the general mandates granted to our Directors to issue or buy back Shares as described below.

RANKINGS

The Offer Shares will be ordinary shares in the share capital of our Company and will carry the same right in all respects with all Shares in issue or to be issued as mentioned in this prospectus and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus save for the entitlement under the Capitalisation Issue.

SHARE CAPITAL

GENERAL MANDATE TO ALLOT AND ISSUE NEW SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general mandate to allot, issue and deal with Shares in the share capital of our Company with the total number of issued shares of not more than the sum of:

- (1) 20% of the total number of Shares in issue immediately following the completion of the Global Offering and the Capitalisation Issue (excluding Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme); and
- (2) the total number of Shares bought back by our Company (if any) pursuant to the general mandate to buy back Shares granted to our Directors referred to below.

Our Directors may, in addition to the Shares which they are authorised to issue under this general mandate, allot, issue or deal with Shares under a rights issue, scrip dividend scheme or similar arrangement, or on the exercise of any option which may be granted under the Share Option Scheme.

This general mandate will remain in effect until the earliest of:

- (i) the conclusion of our Company's next annual general meeting; or
- (ii) the expiry of the period within which our Company is required by any applicable laws or its articles of association to hold its next annual general meeting; or
- (iii) when varied or revoked by an ordinary resolution of the Shareholders in general meeting.

Please refer to "A. Further information about our Group – 3. Resolutions in writing of our Shareholders passed on 21 August 2020" in Appendix IV to this prospectus for further details of this general mandate.

GENERAL MANDATE TO BUY BACK SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general mandate to exercise all the powers of our Company to buy back Shares with a total number of Shares of not more than 10% of the total number of Shares in issue immediately following the completion of the Global Offering and the Capitalisation Issue (excluding Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme).

This mandate only relates to buybacks made on the Stock Exchange or any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in "A. Further information about our Group – 6. Buyback by our Company of our own securities" in Appendix IV to this prospectus.

SHARE CAPITAL

This general mandate to buy back Shares will remain in effect until the earliest of:

- (i) the conclusion of our Company's next annual general meeting; or
- (ii) the expiry of the period within which our Company is required by any applicable laws or its articles of association to hold its next annual general meeting; or
- (iii) when varied or revoked by an ordinary resolution of the Shareholders in general meeting.

Please refer to "A. Further information about our Group – 3. Resolutions in writing of our Shareholders passed on 21 August 2020" in Appendix IV to this prospectus for further details on this general mandate.

SHARE OPTION SCHEME

Pursuant to the written resolutions of the Shareholders dated 21 August 2020, we conditionally adopted the Share Option Scheme. A summary of the principal terms of the Share Option Scheme is set out in "D. Other information – 1. Share Option Scheme" in Appendix IV to this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Our Company has only one class of shares, namely ordinary shares, each of which carries the same right as with the other shares.

Pursuant to the Cayman Companies Law and the terms of the Memorandum and the Articles, our Company may from time to time by ordinary shareholders' resolution (i) increase its capital; (ii) consolidate and divide its capital into Shares of larger amount; (iii) divide its Shares into classes; (iv) subdivide its Shares into Shares of smaller amount; and (v) cancel any Shares which have not been taken. In addition, our Company may reduce its share capital by shareholders' special resolution. Please refer to "2. Articles of Association – (a) Shares – (iii) Alteration of capital" in Appendix III to this prospectus for further details.

Pursuant to the Cayman Companies Law and the terms of the Memorandum and the Articles, all or any of the special rights attached to the Share or any class of Shares may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued Shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the Shares of that class. Please refer to "2. Articles of Association – (a) Shares – (ii) Variation of rights of existing shares or classes of shares" in Appendix III to this prospectus for further details.

FINANCIAL INFORMATION

*You should read the following discussion and analysis of our results of operation and financial condition in conjunction with our audited consolidated financial information for the Track Record Period and including the notes thereto (“**Financial Information**”), included in the Accountants’ Report in Appendix I to this prospectus. Our Financial Information and consolidated financial information have been prepared in accordance with IFRS, which may differ in certain respects from generally accepted accounting principles in other countries. Potential investors should also read the entire Accountants’ Report in Appendix I to this prospectus and should not rely merely on the information contained in this section.*

The discussion and analysis in this section contains forward-looking statements that involve risks and uncertainties. Our actual results may differ significantly from those projected. Factors that might cause our future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed below and elsewhere in this prospectus, particularly in “Risk factors” in this prospectus.

Discrepancies between totals and sums of amounts listed herein in any table or elsewhere in this prospectus may be due to rounding.

OVERVIEW

We are an E&M engineering services works contractor in Macau. According to the Industry Report, our Group ranked fifth among the E&M engineering services works contractors in Macau in 2019, with a market share of approximately 1.9% in terms of revenue in the Macau E&M engineering services industry in 2019. We are an integrated E&M engineering services works contractor registered with DSSOPT and, with our experienced engineering team, skilled workers and/or subcontractors, provide a comprehensive mix of E&M engineering services works based on the contractual needs of our customers in Macau, which generally involve a combination of the supply and/or installation of (i) LV systems works; (ii) HVAC systems works; and (iii) ELV systems works, and the relevant testing and commissioning, through our experienced engineering team, skilled workers and/or subcontractors. We also provide maintenance and repair services to our customers. During the Track Record Period and up to the Latest Practicable Date, we secured our E&M projects through tender or quotation process and all of our revenue was generated in Macau.

During the Track Record Period, our revenue amounted to approximately MOP160.8 million, MOP218.3 million, MOP237.7 million and MOP48.5 million, respectively, and our profit for the year/period amounted to approximately MOP29.9 million, MOP27.4 million, MOP40.5 million and MOP8.1 million, respectively.

FINANCIAL INFORMATION

BASIS OF PREPARATION

Our Financial Information has been prepared under the historical cost convention in accordance with IFRS and is presented in MOP.

Our Company became the holding company of the companies now comprising our Group on 4 December 2017. Since our Controlling Shareholders controls all the companies now comprising our Group during the Track Record Period and before and after our Reorganisation, our Group comprising our Company and our subsidiaries is regarded as a continuing entity. Our Financial Information has been prepared on the basis as if our Company has always been the holding company of our Group throughout the Track Record Period.

Our consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the Track Record Period which include the results, changes in equity and cash flows of the entities comprising our Group have been prepared as if the current structure had been in existence throughout the Track Record Period, or since their respective dates of establishment where there is shorter period.

Please refer to “Notes to the historical financial information – 2. Basis of preparation and presentation of historical financial information” in Appendix I to this prospectus for further details of the basis of preparation and presentation.

SIGNIFICANT FACTORS AFFECTING OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Our financial condition, results of operations and the period to period comparability of our financial results have been and will continue to be principally affected by the following factors:

Market demand of E&M engineering services in Macau

The number and availability of E&M projects in Macau are determined by numerous market drivers, including (i) the growth of gaming and tourism sector; (ii) increasing construction of public facilities; and (iii) the demand from renovation and maintenance of buildings and facilities, which will in turn strongly affect our business, results of operations and financial condition.

According to the Industry Report, the total revenue of E&M engineering services market in Macau demonstrated a robust growth by a CAGR of approximately 5.8% from 2014 to 2019, and is expected to grow by a CAGR of approximately 6.3% from 2019 to 2024.

FINANCIAL INFORMATION

This growing and large E&M engineering services market in Macau provides us with a huge opportunity to further develop our business and our Directors believe that we have adequate professional experience and expertise to continue to expand our business in the future. However, there is no assurance that the number and availability of E&M projects in Macau will maintain at the current level or even increase in the future. If the number and availability of E&M projects in Macau decrease because of economic downturn in Macau or any other uncontrollable circumstances, we may only be able to secure less number and smaller sizes of E&M projects which will probably in turn adversely affect our business and results of operations.

Changes in our project mix

Our revenue, cost of services and gross profit of each of our business streams are directly affected by our project mix and scope of works as required by our customers in our projects performed during the year. We are an integrated E&M engineering services works contractor mainly engaged in providing E&M engineering services works in Macau under each or any combination of the following three business streams, namely (i) LV systems works; (ii) HVAC systems works; and (iii) ELV systems works. Depending on the scope, nature, scale and complexity of the works as required by our customers and the availability of our workers at the time, we generally procure LV systems materials and equipment as required by our customers and carry out the installation of LV systems with our experienced engineers and pool of skilled workers while (i) we generally engage our subcontractors to procure and install the ELV systems while our workers would be responsible for supportive installation works; and (ii) we generally procure the HVAC equipment in accordance with our customers' required specifications but subcontract substantial HVAC systems installation works to our subcontractors. Please refer to "Business – Our business – Our business streams" in this prospectus for further details of the scope of works of our E&M engineering services works.

If there is any significant change in our project mix, our overall gross margin and profit margin will both be affected by the changes in the proportion of the revenue and gross margin attributable to each of our business streams. As a result, our financial condition and results of operations may be materially and adversely affected.

Non-recurring nature of E&M projects

During the Track Record Period, our revenue was derived from the performance of E&M projects which were on a project basis and non-recurring in nature. Our revenue growth in the future depends on whether we are able to continue to succeed in our project tendering. We believe that key factors of obtaining new project contracts includes our established track record, capabilities, professional qualification, strong and stable relationships with our customers, subcontractors and suppliers, our substantial industry knowledge and expertise as well as our competitive tender pricing and other terms and conditions offered.

FINANCIAL INFORMATION

However, due to the business nature, our business operation is project-based and we do not have any long-term contracts with our major customers. There is no assurance that we will be awarded new contracts with comparable contract sums and desirable gross margin. In such circumstances, our results of operations and financial condition will be adversely affected. Also, our customer mix and project mix may vary significantly from year to year and eventually affect our results of operations and financial condition.

In addition, should there be any unexpected disruption to our operations or unsolved disagreements with our major customers, we may risk losing our customers' confidences, reputation in the industry, our business, results of operations and financial condition will be adversely affected.

Pricing of our E&M projects

Pricing of our E&M projects directly impacts our revenue, gross profit and cash flows. We will assess on the feasibility of undertaking the E&M project and tender pricing by taking into account factors such as the customers, the nature or scope of the project, the manpower required, the requisite materials and equipment, the level of technical complexity, the scale and duration of the E&M project, our available manpower and financial resources, the estimated costs, the budgeted profit margin, the competition which our Group is up against and the prevailing market conditions. Please refer to "Business – Our operating procedures – Project assessment and bidding phase" in this prospectus for further details of our tendering process.

There is no assurance that we can succeed in each of our project tenders because of different reasons, such as our Group and competitors' pricing and tender strategies, customers' tender evaluation standards, etc.. There is also no assurance that all of our awarded E&M projects are profitable because of any cost overrun. If we fail to keep the costs of our E&M projects within our initial estimated budgets and no price adjustment clauses is included in our E&M project contracts to absorb such losses, our business, results of operations and financial condition will be adversely affected.

Please refer to "Sensitivity and breakeven analysis – Sensitivity analysis" in this section for the sensitivity analysis of our contract price.

Fluctuation in our contract costs

Our cost of services primarily comprised three major cost components, including (i) material costs; (ii) labour costs; and (iii) subcontracting costs, which aggregately accounted for approximately 72.4%, 76.4%, 77.2% and 75.2% of our total revenue during the Track Record Period, respectively. The fluctuations in these costs directly affect our gross margin, results of operations and financial condition. Please refer to "Business – Suppliers" and "Business – Subcontractors" in this prospectus for further details of our material costs and subcontracting costs.

FINANCIAL INFORMATION

We typically obtain quotations from different suitable suppliers when placing purchase orders of materials and different capable subcontractors when requiring subcontracting works in order to minimise the risk of cost fluctuations. Notwithstanding our contract cost management, there is no assurance that we can avoid all material fluctuations in our contract costs. In addition, the material fluctuations in our contract costs may not be covered by sufficient compensation from our customers. In the event of material fluctuations in our contract costs without sufficient customers' compensation, our business, results of operations and financial condition may be adversely impacted.

Please refer to “Sensitivity and breakeven analysis” in this section for (i) the sensitivity analysis of our material costs, labour costs and subcontracting costs; and (ii) the breakeven analysis of our cost of services.

Recoverability and timing of collection of trade receivables

We generally submit invoices to our customers based on the progress of the works completed as stipulated in the relevant contract, detailing the amount and the value of our works done. Our customers will then examine our part of the works completed and generally pay us within 60 days after receiving and verifying our invoices. Upon completion, our customers will issue a practical completion certificate as well as a statement of final accounts subsequent to their inspection and acceptance. Our customers will then settle the final accounts with us (excluding the retention money) after we submitted our invoice to our customers.

If our customers experience financial distress to settle their payments due to us partially or at all in a timely manner, or even default the settlement of our receivables, our business, results of operations and financial condition could be materially and adversely affected.

Please refer to “Discussion of selected balance sheet items – Debtors, deposits and prepayments” in this section for further discussion and analysis of our trade receivables.

CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS

We have identified various accounting policies that are significant to the preparation of our Financial Information. All of our significant accounting policies are disclosed in “Notes to the historical financial information – 4. Significant accounting policies” in Appendix I to this prospectus. Some of our accounting policies involve judgments, estimates, and assumptions made by our management. Our estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Please refer to “Notes to the historical financial information – 5. Key sources of estimation uncertainty” in Appendix I to this prospectus for further details of our key estimates and judgements.

The following paragraphs discuss, among others, our critical accounting policies, estimates and judgements in preparing our Financial Information.

FINANCIAL INFORMATION

Revenue recognition

During the Track Record Period, our revenue comprised (i) the revenue derived from our E&M engineering services works; and (ii) the revenue derived from our maintenance and repair services, which is recognised when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to customers.

(i) Recognition of revenue derived from E&M engineering services works

The revenue derived from our E&M engineering services works is recognised over time during the course of construction by reference to the progress towards complete satisfaction based on input method at the end of the reporting period. In particular, our contract revenue is recognised on the basis of our efforts or inputs to the satisfaction of a performance obligation (i.e. contract costs incurred for work performed to date) relative to the total expected inputs to the satisfaction of that performance obligation (i.e. total estimated contract costs), that best depict our performance in transferring control of goods or services to our customers.

For our construction contracts that contain variable consideration, such as variations in contract works, claims and incentive payments, we estimate the amount of consideration to which it will be entitled using either (i) the expected value method; or (ii) the most likely amount, depending on which method better predicts the amount of consideration to which we will be entitled. The estimated amount of variable consideration is included in the construction contract only to the extent that it is highly probable that such as inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

Please refer to “Notes to the historical financial information – 4. Significant accounting policies – Revenue from contracts with customers” in Appendix I to this prospectus for further details of the accounting policies for our E&M projects, and “Notes to the historical financial information – 5. Key sources of estimation uncertainty – Construction contracts in respect of electrical and mechanical engineering works” in Appendix I to this prospectus for further details of the key management estimation and judgement involved in the accounting of our E&M projects.

(ii) Recognition of revenue derived from maintenance and repair services

The revenue derived from our maintenance and repair services is recognised over time, when our customers simultaneously receive and consume the benefits from our performance, using a straight-line basis over the term of the contract.

FINANCIAL INFORMATION

Trade and other receivables

(i) Recognition and measurement of trade and other receivables

Our trade and other receivables are initially measured at fair value (except for our trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15) and their directly attributable transaction costs are added to their fair values, as appropriate, on initial recognition.

All regular way purchases or sales of our trade and other receivables are recognised and derecognised on a settlement date basis. Regular way purchases or sales are purchases or sales of our trade and other receivables that require delivery of assets within the time frame established by regulation or convention in the market place.

All our recognised trade and other receivables are subsequently measured in their entirety at either amortised cost.

(ii) Impairment of trade and other receivables

Before the adoption of IFRS 9 since 1 January 2018

Our trade and other receivables are measured at amortised cost using the effective interest method, less any identified impairment losses.

Our trade and other receivables are assessed for indicators of impairment at the end of each reporting period and are considered to be impaired where there is objective evidence that their estimated future cash flows have been affected as a result of one or more events that occurred after their initial recognition.

For our trade receivables that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of our trade receivables could include our past experience of collecting payments, an increase in the number of delayed payments in the portfolio, as well as observable changes in national or local economic conditions that correlate with default on our trade receivables.

The amount of impairment loss recognised is the difference between their carrying amounts and the present values of their estimated future cash flows discounted at original effective interest rates. The carrying amounts of our other receivables are reduced by the impairment loss directly while the carrying amounts of our trade receivables are reduced through the use of allowance accounts. When our trade receivables are considered uncollectible, they are written off against their allowance accounts. Subsequent recoveries of our trade receivables previously written off are credited to our profit or loss.

FINANCIAL INFORMATION

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses were recognised, the previously recognised impairment losses are reversed through our profit or loss to the extent that the carrying amounts of our trade and other receivables at the date the reversal of impairment losses do not exceed what the amortised costs would have been had the impairment not been recognised.

Under the application of IFRS 9 since 1 January 2018

We perform impairment assessment under expected credit losses (“ECL”) model on our trade and other receivables which is updated at the end of each reporting period to reflect changes in credit risk since initial recognition. Assessment are done based on our historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at each reporting date as well as the forecast of future conditions.

We recognise lifetime ECL for our trade receivables. The ECL on our trade receivables are assessed collectively using a provision matrix with appropriate groupings. We measure the loss allowance equal to 12-month ECL unless when there has been a significant increase in credit risk since initial recognition. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. As for the exposure at default, this is represented by the assets’ gross carrying amount at the end of each reporting period. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The ECL of our trade and other receivables is estimated as the difference between all contractual cash flows that are due to our Group in accordance with the contract and all the cash flows that we expect to receive, discounted at the effective interest rate determined at initial recognition.

We recognise an impairment gain or loss in profit or loss for our trade and other receivables with a corresponding adjustment to their carrying amount through a loss allowance account. We write off our trade and other receivables when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Our trade and other receivables written off may still be subject to enforcement activities under our recovery procedures, taking into account legal advice where appropriate. Any subsequent recoveries made are recognised in profit or loss.

FINANCIAL INFORMATION

Trade and other payables

Subsequent to initial recognition, our trade and other payables are subsequently measured at amortised cost using the effective interest method. We derecognise our trade and other payables when, and only when, our obligations are discharged, cancelled or have expired.

ADOPTION OF NEW AND REVISED IFRS

Effect on the adoption of IFRS 9 *Financial Instruments*

We adopted IFRS 9 prospectively for the financial period starting from the effective date of initial application (i.e. 1 January 2018). IFRS 9 introduces new requirements for (i) the classification and measurement of financial assets and financial liabilities and (ii) expected credit losses for financial assets.

All of our financial assets and liabilities continue to be measured at amortised cost which is the same measurement basis under IAS 39. Please refer to “Notes to the historical financial information – 3. Application of new and amendments to IFRSs – New and amendments to IFRSs that are mandatory effective for the Relevant Periods – IFRS 9 *Financial Instruments*” in Appendix I to this prospectus for the transaction impacts in relation to adoption of IFRS 9.

We concluded that the adoption of IFRS 9 has no significant impact on our consolidated financial statements.

Effect on the adoption of IFRS 15 *Revenue from Contracts with Customers*

We had elected to consistently apply IFRS 15 throughout the Track Record Period when preparing our Financial Information.

We have assessed the effects of the adoption of IFRS 15 on our Financial Information and concluded that (i) “amounts due from customers for contract works” recognised under IAS 11 *Construction Contracts* had been reclassified to “contract assets”; (ii) “retention receivables” had been reclassified from “debtors, deposits and prepayments” to “contract assets”; and (iii) “amounts due to customers for contract works” recognised under IAS 11 had been reclassified to “contract liabilities”.

We concluded that the adoption of IFRS 15 has no other significant impact on our consolidated financial statements.

FINANCIAL INFORMATION

Effect on the adoption of IFRS 16 Leases

We had elected to consistently apply IFRS 16 throughout the Track Record Period when preparing our Financial Information. We applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application of 1 January 2017. IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees.

IFRS 16 will supersede HKAS 17 and the related interpretations when it becomes effective. IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, our Group currently presents operating lease payments as operating cash flows. Upon application of IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and operating cash flows, respectively.

We concluded that the adoption of IFRS 16 has no other significant impact on our Financial Information.

FINANCIAL INFORMATION

OUR RESULTS OF OPERATIONS

The following table sets forth our consolidated statements of profit or loss and other comprehensive income for the periods indicated, which has been derived from, and should be read in conjunction with the Accountants' Report in Appendix I to this prospectus:

	Year ended 31 December			Two months ended 28/29 February	
	2017	2018	2019	2019	2020
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
				<i>(unaudited)</i>	
Revenue	160,752	218,254	237,680	44,967	48,513
Cost of services	(117,447)	(168,176)	(184,583)	(33,721)	(36,612)
Gross profit	43,305	50,078	53,097	11,246	11,901
Other income	–	14	11	–	3
Impairment loss under expected credit loss model, net of reversal	–	(135)	(183)	55	(45)
Administrative expenses	(4,083)	(7,899)	(6,863)	(1,785)	(1,653)
Finance costs	(95)	(87)	(68)	(10)	(11)
Listing expenses	(4,649)	(9,576)	–	–	(944)
Profit before tax	34,478	32,395	45,994	9,506	9,251
Income tax expense	(4,628)	(4,965)	(5,456)	(1,077)	(1,152)
Profit and total comprehensive income for the year/period	<u>29,850</u>	<u>27,430</u>	<u>40,538</u>	<u>8,429</u>	<u>8,099</u>

FINANCIAL INFORMATION

PRINCIPAL COMPONENTS OF PROFIT OR LOSS

Revenue

Revenue by business streams

During the Track Record Period, we derived all of our revenue in Macau from the provision of (i) our E&M engineering services works; and (ii) our maintenance and repair services. Please refer to “Business – Our business” in this prospectus for further details of our business.

The following table sets forth a breakdown of our revenue by business streams for the periods indicated:

	Year ended 31 December						Two months ended 28/29 February			
	2017		2018		2019		2019		2020	
	MOP'000	%	MOP'000	%	MOP'000	%	MOP'000	%	MOP'000	%
							(unaudited)			
E&M engineering services works	159,178	99.0	216,160	99.0	232,755	97.9	44,542	99.1	48,057	99.1
– LV systems works	46,830	29.1	80,194	36.7	91,492	38.5	11,992	26.7	35,121	72.4
– HVAC systems works	88,286	54.9	95,171	43.6	92,091	38.7	26,736	59.5	4,371	9.0
– ELV systems works	24,062	15.0	40,795	18.7	49,172	20.7	5,814	12.9	8,565	17.7
Maintenance and repair services	1,574	1.0	2,094	1.0	4,925	2.1	425	0.9	456	0.9
Total	<u>160,752</u>	<u>100.0</u>	<u>218,254</u>	<u>100.0</u>	<u>237,680</u>	<u>100.0</u>	<u>44,967</u>	<u>100.0</u>	<u>48,513</u>	<u>100.0</u>

FINANCIAL INFORMATION

Revenue derived from E&M engineering services works

To ensure our revenue recognised from the E&M engineering services works is reliably estimated, we adopted our revenue recognition policy in accordance with IFRS 15 during the Track Record Period. The revenue derived from E&M engineering services works is recognised over time during the course of construction by reference to the progress towards complete satisfaction at the end of the reporting period. Progress towards complete satisfaction is measured based on input method, which is to recognise revenue on the basis of our efforts or inputs to the satisfaction of a performance obligation (i.e. contract costs incurred for work performed to date) relative to the total expected inputs to the satisfaction of that performance obligation (i.e. total estimated contract costs).

We ascertained the progress towards complete satisfaction of different E&M projects by (i) accurately and properly recording contract costs incurred for work performed of each project (mainly including material costs, subcontracting costs and labour costs) in accordance with supplier invoices, works performed agreed with subcontractors, labour attendance records and payroll summaries; and (ii) accurately and properly estimating our total contract costs of each project in accordance with project specifications and with reference to past projects.

During the Track Record Period, an overwhelming proportion of our revenue (i.e. approximately 99.0%, 99.0%, 97.9% and 99.1% of our total revenue, respectively) was derived from the provision of our E&M engineering services works. Our E&M engineering services works generally involve a combination of the supply and/or installation of (i) LV systems works; (ii) HVAC systems works; and (iii) ELV systems works, and the relevant testing and commissioning for both public and private sectors.

The fluctuation in the revenue derived from our E&M engineering services works during the Track Record Period was primarily attributable to (i) the time which we were awarded with larger-scale E&M projects; (ii) the period of the performance of such larger-scale E&M projects; and (iii) the changes in our project mix and the corresponding scope and nature of works as stipulated in the contracts.

(i) Revenue derived from LV systems works

During the Track Record Period, the revenue derived from our LV systems works accounted for approximately 29.4%, 37.1%, 39.3% and 73.1% of the total revenue derived from our E&M engineering services works, respectively. Please refer to “Business – Our business – Our business streams – 1. LV systems works” in this prospectus for further details of our LV systems works.

FINANCIAL INFORMATION

We recorded an increasing proportion of our total E&M engineering services works revenue from our LV systems works during the Track Record Period, which was primarily because (i) we undertook certain larger-scale LV systems works projects in 2018, including (a) the LV systems works for an integrated urban casino resort located in Cotai, Macau contributing contract revenue of approximately MOP17.9 million in 2018; and (b) a LV systems works project for a commercial premises located at Zona Industrial Transfronteiriça de Zhuhai-Macau contributing contract revenue of approximately MOP23.0 million in 2018; (ii) we recorded an increase in our revenue generated from the LV systems works of Project 5 (which was commenced in 2018) from approximately MOP10.5 million in 2018 to approximately MOP18.8 million in 2019; and (iii) we undertook two large-scale LV systems works projects, namely Project 2 and Project 4 during the two months ended 29 February 2020 contributing contract revenue of approximately MOP14.4 million and MOP18.8 million for the two months ended 29 February 2020, respectively.

(ii) Revenue derived from HVAC systems works

During the Track Record Period, the revenue derived from our HVAC systems works accounted for approximately 55.5%, 44.0%, 39.6% and 9.1% of the total revenue derived from our E&M engineering services works, respectively. Please refer to “Business – Our business – Our business streams – 2. HVAC systems works” in this prospectus for further details of our HVAC systems works.

We recorded a decreasing proportion of our total E&M engineering services works revenue derived from our HVAC systems works during the Track Record Period, which was primarily because of (i) the relatively stable revenue generated from our HVAC systems works from 2017 to 2019; and (ii) the completion of our largest E&M project, Project 1, in relation to HVAC systems installation works for the world’s first free-form exoskeleton skyscraper luxury hotel in 2019 (contributing contract revenue of approximately MOP14.3 million for the two months ended 28 February 2019) leading to the strong decrease in the revenue generated from our HVAC systems works for the two months ended 29 February 2020; and (iii) the strong increase in the revenue derived from our LV systems works during the Track Record Period as discussed above.

(iii) Revenue derived from ELV systems works

During the Track Record Period, the revenue derived from our ELV systems works accounted for approximately 15.1%, 18.9%, 21.1% and 17.8% of the total revenue derived from our E&M engineering services works, respectively. Please refer to “Business – Our business – Our business streams – 3. ELV systems works” in this prospectus for further details of our ELV systems works.

FINANCIAL INFORMATION

We recorded (i) an increasing proportion of our total E&M engineering services works revenue derived from our ELV systems works from 2017 to 2019, which was primarily because (a) we commenced the ELV systems works of Project 5 in 2018 which contributed contract revenue of approximately MOP8.3 million and MOP10.9 million in 2018 and 2019, respectively; and (b) we commenced an ELV systems works project for an office building of the judicial authority in Macau in 2019 which contributed contract revenue of approximately MOP12.3 million in 2019; and (ii) a decrease in the proportion of our total E&M engineering services works revenue derived from our ELV systems works for the two months ended 29 February 2020, which was primarily attributable to the strong increase in the revenue derived from our LV systems works for the two months ended 29 February 2020 as discussed above.

Revenue derived from maintenance and repair services

To complement our E&M engineering services works, we also provide maintenance and repair services on the LV systems, HVAC systems and/or ELV systems to our customers on a term contract basis. During the Track Record Period, the revenue derived from our maintenance and repair services remained at a low level which only accounted for approximately 1.0%, 1.0%, 2.1% and 0.9% of our total revenue, respectively.

Revenue attributable to the projects from public and private sectors

The following table sets forth a breakdown of our revenue attributable to the projects from public and private sectors for the periods indicated:

	Year ended 31 December						Two months ended 28/29 February			
	2017		2018		2019		2019		2020	
	MOP'000	%	MOP'000	%	MOP'000	%	MOP'000	%	MOP'000	%
	<i>(unaudited)</i>									
Private sector	118,649	73.8	174,566	80.0	140,373	59.1	32,352	71.9	42,435	87.5
– Hotels and resorts	113,784	70.8	150,571	69.0	131,050	55.1	31,518	70.1	42,132	86.8
– Other commercial premises	4,865	3.0	23,995	11.0	9,323	4.0	834	1.8	303	0.7
Public sector	42,103	26.2	43,688	20.0	97,307	40.9	12,615	28.1	6,078	12.5
Total	160,752	100.0	218,254	100.0	237,680	100.0	44,967	100.0	48,513	100.0

FINANCIAL INFORMATION

Our public sector projects refer to our project works on buildings and/or premises of the Macau government or other government agencies, education institutions or utilities in Macau, while our private sector projects refer to those works commissioned by privately-owned hotel and integrated entertainment resort owners or operators and other commercial enterprises.

During the Track Record Period, we generated a majority of our total revenue from our private sector projects, which amounted to approximately MOP118.6 million, MOP174.6 million, MOP140.4 million and MOP42.4 million, respectively (accounting for approximately 73.8%, 80.0%, 59.1% and 87.5% of our total revenue, respectively), which was primarily because in general, we were awarded with and undertook more larger-size private sector E&M projects during the Track Record Period, including Project 1, Project 2, Project 4, Project 5, a LV systems works and HVAC systems works project for an integrated urban casino resort located in Cotai, Macau and a LV systems works project for a commercial premises located at Zona Industrial Transfronteiriça de Zhuhai-Macau. The decrease in the revenue from our private sector projects from approximately MOP174.6 million in 2018 to approximately MOP140.4 million in 2019 was primarily attributable to the completion of our largest E&M project, Project 1, in 2019 which led to the decrease in our contract revenue from Project 1 from approximately MOP55.6 million in 2018 to approximately MOP14.3 million in 2019.

In 2017, 2018 and 2019, we recorded an increase in the revenue generated from our public sector projects, which amounted to approximately MOP42.1 million, MOP43.7 million and MOP97.3 million, respectively (accounting for approximately 26.2%, 20.0% and 40.9% of our total revenue, respectively). The strong increase in the revenue derived from our public sector projects in 2019 was primarily attributable to the substantial work progress of Project 3 in 2019 contributing contract revenue of approximately MOP3.3 million and MOP52.5 million in 2018 and 2019, respectively.

There was a decrease in the revenue generated from our public sector projects from approximately MOP12.6 million for the two months ended 28 February 2019 to approximately MOP6.1 million for the two months ended 29 February 2020, which was primarily attributable to the completion of a large-scale HVAC systems works project for the new headquarters of a special police unit in Coloane in 2019 contributing contract revenue of approximately MOP6.2 million for the two months ended 28 February 2019.

FINANCIAL INFORMATION

Revenue by reference to our role in the projects

The following table sets forth a breakdown of our revenue by reference to our role in the projects for the periods indicated:

	Year ended 31 December						Two months ended 28/29 February			
	2017		2018		2019		2019		2020	
	MOP'000	%	MOP'000	%	MOP'000	%	MOP'000	%	MOP'000	%
							(unaudited)			
Subcontractor	152,672	95.0	129,669	59.4	155,646	65.5	42,446	94.4	6,078	12.5
Main contractor	8,080	5.0	88,585	40.6	82,034	34.5	2,521	5.6	42,435	87.5
Total	<u>160,752</u>	<u>100.0</u>	<u>218,254</u>	<u>100.0</u>	<u>237,680</u>	<u>100.0</u>	<u>44,967</u>	<u>100.0</u>	<u>48,513</u>	<u>100.0</u>

Owing to the scope and nature of the works and services performed during the Track Record Period, we were engaged as a main contractor or a subcontractor in our projects. Our revenue generated by acting as a subcontractor accounted for a major portion of our total revenue (i.e. approximately 95.0%, 59.4%, 65.5% and 12.5% of our total revenue during the Track Record Period, respectively) while our revenue generated by acting as a main contractor accounted for approximately 5.0%, 40.6%, 34.5% and 87.5% of our total revenue during the Track Record Period, respectively.

We gradually established our presence in the private sector and, having cultivated amicable business relationships directly with main contractors, and through them, indirectly with the project owners by demonstrating the quality, reliability and value of our works in previous projects, we have managed to receive an increasing number of project invitations from project owners, particularly in the private sector and, in turn, assumed the role of main contractor for more projects in the private sector. Our Directors believe that as our Group has accumulated both business connections and goodwill, our chance of assuming the role of main contractor in turn increased during the Track Record Period.

Cost of services

During the Track Record Period, our cost of services comprised (i) our material costs; (ii) our labour costs; (iii) our subcontracting costs; and (iv) our other costs. Our cost of services are susceptible to the changes in project mix and the corresponding scope and nature of works as stipulated in the contracts.

FINANCIAL INFORMATION

The following table sets forth a breakdown of our cost of services by cost nature for the periods indicated:

	Year ended 31 December						Two months ended 28/29 February			
	2017		2018		2019		2019		2020	
	MOP'000	%	MOP'000	%	MOP'000	%	MOP'000	%	MOP'000	%
							<i>(unaudited)</i>			
Material costs										
(Note 1)	20,184	17.2	44,144	26.2	50,778	27.5	7,128	21.1	7,173	19.6
– Lighting systems	2,542	2.2	19,316	11.5	9,440	5.1	500	1.5	5,049	13.8
– Power cables	1,386	1.2	13,740	8.2	10,043	5.4	38	0.1	1,002	2.7
– Air-conditioning systems	6,739	5.7	10,674	6.3	31,250	16.9	6,572	19.4	1,122	3.1
– Other materials	9,517	8.1	414	0.2	45	0.1	18	0.1	–	–
Labour costs										
(Note 2)	11,905	10.1	16,720	9.9	18,130	9.8	3,433	10.2	2,629	7.2
Subcontracting costs (Note 3)	84,263	71.7	105,889	63.0	114,617	62.1	23,091	68.5	26,702	72.9
Other costs										
(Note 4)	1,095	1.0	1,423	0.9	1,058	0.6	69	0.2	108	0.3
Total	117,447	100.0	168,176	100.0	184,583	100.0	33,721	100.0	36,612	100.0

Notes:

- (1) Our material costs primarily represented the procurement costs of air-conditioning systems, lighting systems, power cables and other materials used in our works and accounted for approximately 17.2%, 26.2%, 27.5% and 19.6% of our total cost of services during the Track Record Period, respectively. Please refer to “Business – Procurement and raw materials” in this prospectus for further details of materials used in our works and services.
- (2) Our labour costs primarily represented the salaries and other benefits incurred to our project teams (including project management, supervisors, technicians, and other employees and workers who are directly involved in our projects) and accounted for approximately 10.1%, 9.9%, 9.8% and 7.2% of our total cost of services during the Track Record Period, respectively.
- (3) Our subcontracting costs primarily represented the fees incurred to our subcontractors and accounted for approximately 71.7%, 63.0%, 62.1% and 72.9% of our total cost of services during the Track Record Period, respectively. Please refer to “Business – Subcontractors” in this prospectus for further details of works delegating to our subcontractors.
- (4) Other costs primarily included our transportation and logistics costs, consumables, leasing expenses of machineries and equipment, and other sundry costs directly in relation to the provision of our works and services.

FINANCIAL INFORMATION

Our cost of services mainly included our material costs, labour costs and subcontracting costs which aggregately accounted for approximately 99.0%, 99.1%, 99.4% and 99.7% of our total cost of services during the Track Record Period, respectively.

Depending on the scale and complexity of a particular project and the availability of our labour resources at the time, we may delegate certain works to subcontractors. For example, the installation of ELV equipment requires a specialist knowledge of the product, and such ELV equipment is generally sold and installed by the exclusive agents or distributors of the brand owners or manufacturers of the systems. The installation of HVAC equipment is piecemeal in nature and therefore we would subcontract substantial HVAC systems installation works to our subcontractors. As a result, during the Track Record Period, the fluctuation in our subcontracting costs was primarily in line with the fluctuation in the revenue derived from our HVAC systems works and ELV systems works.

In general, the proportion of these three major cost components in each E&M project may fluctuate substantially and some of these costs are, to a certain extent, inter-related to each other due to the fact that if we engage subcontractors to delegate certain E&M engineering services works, we may require our subcontractors to arrange for and bear the costs of the relevant labour forces, materials, and machinery and equipment necessary to carry out such subcontracting works. As a result, the relevant labour costs and material costs (which we would otherwise incur ourselves if we do not engage subcontractors) would normally be factored and reflected in the subcontracting fees charged by our subcontractors.

Gross profit and gross margin

Our gross margin equals to our gross profit (which equals to our revenue minus our cost of services) divided by our revenue, and multiplied by 100%.

The following table sets forth a breakdown of our gross profit and gross margin by business streams for the periods indicated:

Owing to different scope and nature of works and services performed and cost structure components, the gross margin of each business stream of our E&M engineering services works, and maintenance and repair services varied during the Track Record Period which led to the fluctuation in our overall gross margin.

The gross margin of our E&M engineering services works was comparatively stable during the Track Record Period (ranged from approximately 22.2% to approximately 26.4% during the Track Record Period) as compared to the gross margin of our maintenance and repair services (ranged from approximately 24.4% to approximately 76.9% during the Track Record Period).

To compare the gross margins of the three business streams of our E&M engineering services works, we generally maintained a higher gross margin of our LV systems works (ranged from approximately 27.5% to approximately 33.2% during the Track Record Period) as compared to the gross margin of our HVAC systems works (ranged from approximately 21.3% to approximately 26.5% during the Track Record Period) and the gross margin of our ELV systems works (ranged from approximately 13.0% to approximately 13.1% during the Track Record Period). Subject to the scope of works as stipulated in the contracts and the availability of our workers, we generally procure LV systems materials and equipment as

FINANCIAL INFORMATION

required by our customers and carry out the installation works of LV systems with our experienced engineers and pool of skilled workers while (i) we generally engage our subcontractors to procure and install the ELV systems while our workers would be responsible for supportive installation works; and (ii) we generally procure the HVAC equipment in accordance with their required specifications but usually subcontract substantial HVAC systems installation works to our subcontractors.

The gross profit of our maintenance and repair services remained at a low level during the Track Record Period. The fluctuation in the gross margin of our maintenance and repair services was highly dependent on the project specifications, and may vary in different projects from time to time and the amount of maintenance and repair materials and components used (which may not be chargeable to or fully reimbursed by our customers) for each financial year/period during the Track Record Period.

The following table sets forth a breakdown of our gross profit and gross margin attributable to the projects from public and private sectors for the periods indicated:

	Year ended 31 December						Two months ended 28/29 February			
	2017		2018		2019		2019		2020	
	Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin
	MOP'000	%	MOP'000	%	MOP'000	%	MOP'000	%	MOP'000	%
	<i>(unaudited)</i>									
Private sector	34,250	28.9	41,370	23.7	35,505	25.3	8,892	27.5	10,544	24.8
Public sector	9,055	21.5	8,708	19.9	17,592	18.1	2,354	18.7	1,357	22.3
Total/Overall	<u>43,305</u>	26.9	<u>50,078</u>	22.9	<u>53,097</u>	22.3	<u>11,246</u>	25.0	<u>11,901</u>	24.5

We had a higher gross margin attributable to our private sector projects as compared to the gross margin attributable to our public sector projects during the Track Record Period, which was primarily attributable to the fact that (i) during the Track Record Period, we recorded (a) an increasing proportion of the revenue attributable to our private sector projects; and (b) a decreasing proportion of the revenue attributable to our public sector projects, from our LV systems works which recorded a relatively higher gross margin generally; (ii) we undertook a large-scale public LV systems works project (i.e. the installation works for power distribution system located at Hong Kong – Zhuhai – Macau Link Bridge) in 2017 with relatively a lower gross margin mainly because of the increase in the use of subcontractors owing to the availability of our workforce at the relevant contract period; (iii) there was a decrease in the gross margin from a large-scale integrated E&M project for a community centre of a public housing estate in Seac Pai Van, Macau in 2018 mainly because of the increase in the use of subcontractors in order to meet the tight deadline of the project; and (iv) we recorded an increasing proportion of the revenue attributable to our public sector projects from our ELV systems works in 2019 and for the two months ended 29 February 2020 which recorded a relatively lower gross margin generally.

FINANCIAL INFORMATION

The following table sets forth a breakdown of our gross profit and gross margin by reference to our role in the projects for the periods indicated:

	Year ended 31 December						Two months ended 28/29 February			
	2017		2018		2019		2019		2020	
	Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin
	MOP'000	%	MOP'000	%	MOP'000	%	MOP'000	%	MOP'000	%
	<i>(unaudited)</i>									
Subcontractor	40,706	26.7	27,189	21.0	36,454	23.4	10,706	25.2	1,279	21.0
Main contractor	2,599	32.2	22,889	25.8	16,643	20.3	540	21.4	10,622	25.0
Total/Overall	<u>43,305</u>	26.9	<u>50,078</u>	22.9	<u>53,097</u>	22.3	<u>11,246</u>	25.0	<u>11,901</u>	24.5

For subcontractor projects, the decrease in our gross margin from approximately 26.7% in 2017 to approximately 21.0% in 2018 was primarily attributable to (i) the decrease in the proportion of the revenue attributable to our subcontractor projects from our LV systems works which recorded a relatively higher gross margin generally; and (ii) the decrease in the gross margin from a large-scale integrated E&M project for a community centre of a public housing estate in Seac Pai Van, Macau in 2018 mainly due to the increase in the use of subcontractors in order to meet the tight deadline of the project. The rebound of the gross margin from our subcontractor projects to approximately 23.4% in 2019 was primarily attributable to (i) the substantial completion of the aforesaid integrated E&M project for a community centre of a public housing estate in Seac Pai Van, Macau in 2018; and (ii) the slight increase in the proportion of the revenue attributable to our subcontractor projects from our LV systems works which recorded a relatively higher gross margin generally. The decrease in the gross margin for our subcontractor projects from approximately 25.2% for the two months ended 28 February 2019 to approximately 21.0% for the two months ended 29 February 2020 was primarily attributable to the completion of our largest E&M project, Project 1, in relation to HVAC systems installation works for the world's first free-form exoskeleton skyscraper luxury hotel in 2019 with a relatively higher gross margin mainly due to the specifications and difficulties involved in the project.

FINANCIAL INFORMATION

For main contractor projects, the decrease in our gross margin of approximately 32.2% in 2017 to approximately 25.8% in 2018 and further to approximately 20.3% in 2019 was primarily attributable to (i) the performance of a large-scale LV systems works project for a commercial premises located at Zona Industrial Transfronteiriça de Zhuhai-Macau in 2018 and another LV systems works project for the same commercial premises in 2019 (which was an extension of the aforesaid project), both with a relatively lower gross margin mainly because of the more competitive contract price offered to the new customer with a view to developing a business relationship with such new customer and diversifying our customer base; and (ii) the increase in the proportion of the revenue attributable to our main contractor projects from our ELV systems works in 2019 which recorded a relatively lower gross margin generally. The increase in the gross margin for our main contractor projects from approximately 21.4% for the two months ended 28 February 2019 to approximately 25.0% for the two months ended 29 February 2020 was primarily attributable to the substantial work progress of Project 4 for the two months ended 29 February 2020 with a relatively higher gross margin mainly due to higher technique and knowhow involved in the project.

Other income

During the Track Record Period, our other income of nil, approximately MOP14,000, MOP11,000 and MOP3,000, respectively, represented the interest income derived from our bank balances.

Impairment loss under expected credit loss model, net of reversal

In 2018 and 2019 and for the two months ended 29 February 2020, our impairment loss under expected credit loss model of approximately MOP0.1 million, MOP0.2 million and MOP45,000, respectively, primarily represented the impairment loss on our contract assets and trade receivables in respect of our impairment assessment in accordance with IFRS 9 as at 31 December 2018 and 2019 and 29 February 2020.

Please refer to “Notes to the historical financial information – 17. Debtors, deposits and prepayments” and “Notes to the historical financial information – 30. Financial instruments – 30b. Financial risk management objectives and policies” in Appendix I to this prospectus for further details of the impairment assessment and credit risk of our contract assets and trade receivables.

FINANCIAL INFORMATION

Administrative expenses

The following table sets forth a breakdown of our administrative expenses for the periods indicated:

	Year ended 31 December						Two months ended 28/29 February			
	2017		2018		2019		2019		2020	
	MOP'000	%	MOP'000	%	MOP'000	%	MOP'000	%	MOP'000	%
							<i>(unaudited)</i>			
Staff costs	2,284	55.9	5,079	64.3	4,279	62.3	822	46.1	1,062	64.2
Depreciation	956	23.4	1,181	15.0	1,251	18.2	211	11.8	205	12.4
Entertainment expenses	118	2.9	167	2.1	64	0.9	24	1.3	125	7.6
Short-term lease expenses	100	2.4	225	2.8	302	4.4	51	2.9	54	3.3
Travel expenses	114	2.8	47	0.6	39	0.6	11	0.6	3	0.2
Legal and professional fees	30	0.7	41	0.5	41	0.6	–	–	–	–
Other expenses	481	11.9	1,159	14.7	887	13.0	666	37.3	204	12.3
Total	<u>4,083</u>	<u>100.0</u>	<u>7,899</u>	<u>100.0</u>	<u>6,863</u>	<u>100.0</u>	<u>1,785</u>	<u>100.0</u>	<u>1,653</u>	<u>100.0</u>

During the Track Record Period, our administrative expenses amounted to approximately MOP4.1 million, MOP8.0 million, MOP6.9 million and MOP1.7 million, respectively, representing approximately 2.5%, 3.6%, 2.9% and 3.4% of our total revenue, respectively.

Our administrative expenses primarily comprised the following items:

- (i) our staff costs mainly representing the salaries, wages and bonuses, and the pension scheme contribution of our management and other administrative personnel;
- (ii) our depreciation mainly representing the depreciation charges for our property, plant and equipment and right-of-use assets;
- (iii) our entertainment expenses mainly representing meals and other expenses incurred for our business meetings;
- (iv) our short-term lease expenses mainly representing the rental expenses in respect of short-term leases of our staff quarters;
- (v) our travel expenses mainly representing motor vehicles and other travelling expenses incurred for our business; and
- (vi) our legal and professional fees mainly representing tax filing service fees.

FINANCIAL INFORMATION

Finance costs

During the Track Record Period, our finance costs of approximately MOP95,000, MOP87,000, MOP68,000 and MOP11,000, respectively, represented the interest expenses on our lease liabilities.

Listing expenses

During the Track Record Period, our listing expenses of approximately MOP4.6 million, MOP9.6 million, nil and MOP0.9 million, respectively, mainly represented the professional services fees incurred by our Company to various professional parties directly in relation to the Listing and charged to our profit or loss. Please refer to “Listing expenses” in this section for further details of our listing expenses.

Income tax expense

During the Track Record Period, our income tax expense amounted to approximately MOP4.6 million, MOP5.0 million, MOP5.5 million and MOP1.2 million, respectively, which represented our current Macau Complementary Tax expense.

Our effective income tax rate (which equals to our income tax expense divided by our profit before tax, and multiplied by 100%) was approximately 13.4%, 15.3%, 11.9% and 12.5% during the Track Record Period, respectively. The fluctuation in our effective income tax rate during the Track Record Period was primarily attributable to the change of our tax non-deductible listing expenses during the Track Record Period.

Under the current laws and regulations of the Cayman Islands and the BVI, we are not subject to any income tax or capital gains tax in the Cayman Islands and the BVI. Additionally, dividend payments made by us are not subject to withholding tax in the Cayman Islands and the BVI.

Macau Complementary Tax is calculated at 12% of the estimated assessable profits exceeding MOP0.6 million for each of the assessment year during the Track Record Period.

Please refer to “Notes to the historical financial information – 11. Income tax expense” in Appendix I to this prospectus for our income tax reconciliation.

Our Directors confirm that as at the Latest Practicable Date, (i) we have made all required tax filings under the relevant tax laws and regulations and has paid all outstanding tax liabilities due; and (ii) we are not subject to any dispute or potential dispute with the relevant tax authorities.

FINANCIAL INFORMATION

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Year ended 31 December 2017 compared to year ended 31 December 2018

Revenue

Our revenue increased by approximately MOP57.5 million (or approximately 35.8%) from approximately MOP160.8 million in 2017 to approximately MOP218.3 million in 2018, which was primarily attributable to the increase in the revenue derived from our E&M engineering services works.

The revenue derived from our E&M engineering services works increased by approximately MOP57.0 million (or approximately 35.8%) from approximately MOP159.2 million in 2017 to approximately MOP216.2 million in 2018, which was attributable to:

- (i) the increase in the revenue derived from our LV systems works by approximately MOP33.4 million from approximately MOP46.8 million in 2017 to approximately MOP80.2 million in 2018 mainly due to (a) the substantial work progress of the LV systems works for an integrated urban casino resort located in Cotai, Macau contributing contract revenue of approximately MOP17.9 million in 2018; and (b) the commencement of a LV systems works project for a commercial premises located at Zona Industrial Transfronteiriça de Zhuhai-Macau in 2018 contributing contract revenue of approximately MOP23.0 million in 2018, partially offset by the installation works for power distribution system located at Hong Kong – Zhuhai – Macau Link Bridge which contributed contract revenue of approximately MOP11.0 million in 2017.
- (ii) the increase in the revenue derived from our ELV systems works by approximately MOP16.7 million from approximately MOP24.1 million in 2017 to approximately MOP40.8 million in 2018 mainly due to the commencement of certain ELV systems works projects in 2018, mainly including (a) the ELV systems works of Project 5 which contributed contract revenue of approximately MOP8.3 million in 2018; and (b) an ELV systems works project for the VIP clubs of several junket operators at an integrated resort in Cotai in 2018 which contributed contract revenue of approximately MOP4.6 million in 2018; and
- (iii) the increase in the revenue derived from our HVAC systems works by approximately MOP6.9 million from approximately MOP88.3 million in 2017 to approximately MOP95.2 million in 2018 mainly due to the commencement of HVAC systems works for a Chinese mythology inspired luxury hotel in Cotai in 2018 which contributed contract revenue of approximately MOP8.3 million in 2018.

FINANCIAL INFORMATION

Cost of services

Our cost of services increased by approximately MOP50.7 million (or approximately 43.2%) from approximately MOP117.4 million in 2017 to approximately MOP168.2 million in 2018, which was primarily in line with the increase in our revenue.

Such increase in our cost of services was mainly attributable to (i) the increase in our material costs by approximately MOP24.0 million (or approximately 118.7%) from approximately MOP20.2 million in 2017 to approximately MOP44.1 million in 2018 mainly due to the increase in our E&M engineering services revenue and the increase in the procurement of materials for our E&M projects as a result of the increase in our LV systems works which we generally procured LV systems materials and equipment as required by our customers; (ii) the increase in our subcontracting costs by approximately MOP21.6 million (or approximately 25.7%) from approximately MOP84.3 million in 2017 to approximately MOP105.9 million in 2018 mainly due to the increase in our revenue leading to the increase in the needs for subcontracting mainly from certain large-scale E&M projects, such as a LV systems works and HVAC systems works project for an integrated urban casino resort located in Cotai, Macau and a LV systems works project for a commercial premises located at Zona Industrial Transfronteiriça de Zhuhai-Macau owing to the availability of our workforce at the relevant contract period; and (iii) the increase in our labour costs by approximately MOP4.8 million (or approximately 40.4%) from approximately MOP11.9 million in 2017 to approximately MOP16.7 million in 2018 mainly due to the increase in our headcount for our workers in response to more projects undertaken by our Group in 2018.

Gross profit and gross margin

Our gross profit increased by approximately MOP6.8 million (or approximately 15.6%) from approximately MOP43.3 million in 2017 to approximately MOP50.1 million in 2018, which was primarily attributable to the increase in the revenue derived from our E&M engineering services works.

Our overall gross margin decreased from approximately 26.9% in 2017 to approximately 22.9% in 2018, which was primarily attributable to the decrease in the gross margin of our E&M engineering services works.

The gross margin of our E&M engineering services works decreased from approximately 26.4% in 2017 to approximately 22.9% in 2018, which was primarily attributable to (i) the increase in the gross profit contribution from our ELV systems works (with relatively stable gross margin of approximately 13.1% and 13.0% in 2017 and 2018, respectively) which generally offers a relatively lower gross margin as compared to the gross margins of our LV systems and HVAC systems works; (ii) the decrease in the gross margin of our LV systems works from approximately 33.2% in 2017 to approximately 28.4% in 2018 mainly due to the performance of a large-scale LV systems works for a commercial premises located at Zona Industrial Transfronteiriça de Zhuhai-Macau in 2018 with a relatively lower gross margin mainly because of the more competitive contract price offered to the new customer with a view

FINANCIAL INFORMATION

to developing a business relationship with such new customer and diversifying our customer base; and (iii) the decrease in the gross margin of our HVAC systems works from approximately 26.5% in 2017 to approximately 22.6% in 2018 mainly due to the significant increase in the level of subcontracting in our HVAC systems works for an integrated urban casino resort located in Cotai, Macau in 2018 owing to the insufficiency and unavailability of our workforce as a result of our business expansion.

Administrative expenses

Our administrative expenses increased by approximately MOP3.8 million (or approximately 93.5%) from approximately MOP4.1 million in 2017 to approximately MOP7.9 million in 2018, which was primarily attributable to the increase in our staff costs from approximately MOP2.3 million in 2017 to approximately MOP5.1 million in 2018 mainly due to the increment of the average headcount in our finance team in the preparation of the Listing, the salary increment of our administrative staff and the increase in our staff welfare expenses (mainly including staff trip expenses) in 2018.

Income tax expense

Our income tax expense increased by approximately MOP0.3 million (or approximately 7.3%) from approximately MOP4.6 million in 2017 to approximately MOP5.0 million in 2018, which was primarily attributable to the increase in our assessable profit mainly due to the increase in our gross profit as discussed above, partially offset by the increase in our administrative expenses.

Our effective income tax rate increased from approximately 13.4% in 2017 to approximately 15.3% in 2018, which was primarily attributable to the increase in our tax non-deductible listing expenses from approximately MOP4.7 million in 2017 to approximately MOP9.6 million in 2018.

Profit for the year

Our profit for the year decreased by approximately MOP2.4 million (or approximately 8.1%) from approximately MOP29.9 million in 2017 to approximately MOP27.4 million in 2018, which was primarily attributable to the combined effect of the abovementioned items.

FINANCIAL INFORMATION

Year ended 31 December 2018 compared to year ended 31 December 2019

Revenue

Our revenue increased by approximately MOP19.4 million (or approximately 8.9%) from approximately MOP218.3 million in 2018 to approximately MOP237.7 million in 2019, which was primarily attributable to the increase in the revenue derived from our E&M engineering services works.

The revenue derived from our E&M engineering services works increased by approximately MOP16.6 million (or approximately 7.7%) from approximately MOP216.2 million in 2018 to approximately MOP232.8 million in 2019, which was primarily attributable to:

- (i) the increase in the revenue derived from our LV systems works by approximately MOP11.3 million from approximately MOP80.2 million in 2018 to approximately MOP91.5 million in 2019 mainly due to (a) the commencement of Project 4 in 2019 which contributed contract revenue of approximately MOP20.8 million in 2019; (b) the commencement of a LV systems works of an E&M project for an employee dining room at an integrated resort in Cotai in 2019 which contributed contract revenue of approximately MOP7.2 million in 2019; and (c) the increase in the contract revenue generated from the LV systems works of Project 5 (which commenced in 2018) from approximately MOP10.5 million in 2018 to approximately MOP18.8 million in 2019, partially offset by the decrease in the contract revenue generated from a LV systems works project for a commercial premises located at Zona Industrial Transfronteiriça de Zhuhai-Macau which commenced in 2018 and contributed contract revenue of approximately MOP23.0 million and MOP1.1 million in 2018 and 2019, respectively;
- (ii) the increase in the revenue derived from our ELV systems works by approximately MOP8.4 million from approximately MOP40.8 million in 2018 to approximately MOP49.2 million in 2019 mainly due to the commencement of an ELV systems works project for an office building of the judicial authority in Macau in 2019 which contributed contract revenue of approximately MOP12.3 million in 2019; and
- (iii) the stable revenue derived from our HVAC systems works of approximately MOP95.2 million and MOP92.1 million in 2018 and 2019, respectively.

FINANCIAL INFORMATION

Cost of services

Our cost of services increased by approximately MOP16.4 million (or approximately 9.8%) from approximately MOP168.2 million in 2018 to approximately MOP184.6 million in 2019, which was primarily in line with the increase in our revenue.

Such increase in our cost of services was mainly attributable to (i) the increase in our subcontracting costs by approximately MOP8.7 million (or approximately 8.2%) from approximately MOP105.9 million in 2018 to approximately MOP114.6 million in 2019 mainly in line with the increase in our revenue; and (ii) the increase in our material costs by approximately MOP6.6 million (or approximately 15.0%) from approximately MOP44.1 million in 2018 to approximately MOP50.8 million in 2019 mainly due to the increase in the procurement of air-conditioning systems for Project 3 with substantial work progress in 2019.

Gross profit and gross margin

Our gross profit increased by approximately MOP3.0 million (or approximately 6.0%) from approximately MOP50.1 million in 2018 to approximately MOP53.1 million in 2019, which was primarily attributable to the increase in the revenue derived from our E&M engineering services works.

Our overall gross margin remained relatively stable at approximately 22.9% and 22.3% in 2018 and 2019, respectively.

Administrative expenses

Our administrative expenses decreased by approximately MOP1.0 million (or approximately 13.1%) from approximately MOP7.9 million in 2018 to approximately MOP6.9 million in 2019, which was primarily attributable to the decrease in our staff costs from approximately MOP5.1 million in 2018 to approximately MOP4.3 million in 2019 mainly due to the decrease in our staff welfare expenses (mainly including staff trip expenses) in 2019.

Income tax expense

Our income tax expense increased by approximately MOP0.5 million (or approximately 9.9%) from approximately MOP5.0 million in 2018 to approximately MOP5.5 million in 2019, which was primarily attributable to the increase in our assessable profit mainly due to the increase in our gross profit and the decrease in our administrative expenses as discussed above.

Our effective income tax rate decreased from approximately 15.3% in 2018 to approximately 11.9% in 2019, which was primarily attributable to the recognition of our tax non-deductible listing expenses of approximately MOP9.6 million in 2018.

Profit for the year

Our profit for the year increased by approximately MOP13.1 million (or approximately 47.8%) from approximately MOP27.4 million in 2018 to approximately MOP40.5 million in 2019, which was primarily attributable to the combined effect of the abovementioned items.

FINANCIAL INFORMATION

Two months ended 28 February 2019 compared to two months ended 29 February 2020

Revenue

Our revenue increased by approximately MOP3.5 million (or approximately 7.9%) from approximately MOP45.0 million for the two months ended 28 February 2019 to approximately MOP48.5 million for the two months ended 29 February 2020, which was primarily attributable to the increase in the revenue derived from our E&M engineering services works.

The revenue derived from our E&M engineering services works increased by approximately MOP3.5 million (or approximately 7.9%) from approximately MOP44.5 million for the two months ended 28 February 2019 to approximately MOP48.1 million for the two months ended 29 February 2020, which was attributable to:

- (i) the increase in the revenue derived from our LV systems works by approximately MOP23.1 million from approximately MOP12.0 million for the two months ended 28 February 2019 to approximately MOP35.1 million for the two months ended 29 February 2020 mainly due to (a) the substantial work progress of Project 4 for the two months ended 29 February 2020 which contributed contract revenue of approximately MOP14.4 million for the two months ended 29 February 2020; and (b) the commencement of Project 2 in 2020 which contributed contract revenue of approximately MOP18.8 million for the two months ended 29 February 2020, partially offset by the substantial completion of the LV systems works of Project 5 in 2019 which contributed contract revenue of approximately MOP3.6 million for the two months ended 28 February 2019;
- (ii) the increase in the revenue derived from our ELV systems works by approximately MOP2.8 million from approximately MOP5.8 million for the two months ended 28 February 2019 to approximately MOP8.6 million for the two months ended 29 February 2020 mainly due to the substantial work progress of an ELV systems works project for Phase 2 of a cinematic-themed hotel and casino resort located in Cotai, Macau for the two months ended 29 February 2020 which contributed contract revenue of approximately MOP5.5 million for the two months ended 29 February 2020, partially offset by the substantial completion of the ELV systems works of Project 5 in 2019 which contributed contract revenue of approximately MOP4.0 million for the two months ended 28 February 2019; and
- (iii) the decrease in the revenue derived from our HVAC systems works by approximately MOP22.4 million from approximately MOP26.7 million for the two months ended 28 February 2019 to approximately MOP4.4 million for the two months ended 29 February 2020 mainly due to the completion of Project 1 and a large-scale HVAC systems works project for the new headquarters of a special police unit in Coloane in 2019 which contributed contract revenue of approximately MOP14.3 million and MOP6.2 million for the two months ended 28 February 2019, respectively.

FINANCIAL INFORMATION

Cost of services

Our cost of services increased by approximately MOP2.9 million (or approximately 8.6%) from approximately MOP33.7 million for the two months ended 28 February 2019 to approximately MOP36.6 million for the two months ended 29 February 2020, which was primarily in line with the increase in our revenue.

Such increase in our cost of services was mainly attributable to the increase in our subcontracting costs by approximately MOP3.6 million from approximately MOP23.1 million for the two months ended 28 February 2019 to approximately MOP26.7 million for the two months ended 29 February 2020 mainly due to the substantial use of subcontracting for two large-scale E&M projects, namely Project 2 and Project 4.

Gross profit and gross margin

Our gross profit increased by approximately MOP0.7 million (or approximately 5.8%) from approximately MOP11.2 million for the two months ended 28 February 2019 to approximately MOP11.9 million for the two months ended 29 February 2020, which was primarily attributable to the increase in the revenue derived from our E&M engineering services works.

Our overall gross margin remained relatively stable at approximately 25.0% and 24.5% for the two months ended 28 February 2019 and 29 February 2020, respectively, which was primarily attributable to the combined effect of (i) the decrease in the gross margin of our HVAC systems works from approximately 25.7% for the two months ended 28 February 2019 to approximately 21.8% for the two months ended 29 February 2020 mainly due to the fact that a majority of our revenue from HVAC systems works for the two months ended 29 February 2020 was generated from a large-scale public sector HVAC systems works project, namely Project 3, which recorded a relatively lower gross margin mainly due to a higher level of subcontracting owing to the insufficiency and unavailability of our workforce; (ii) the increase in the proportion of our revenue attributable to our LV systems works which recorded a relatively higher gross margin; and (iii) the stable gross margin of our LV systems works and ELV systems works of approximately 28.8% and 13.8%, respectively, for the two months ended 28 February 2019 and approximately 27.5% and 13.0%, respectively, for the two months ended 29 February 2020.

Administrative expenses

Our administrative expenses remained relatively stable at approximately MOP1.8 million and MOP1.7 million for the two months ended 28 February 2019 and 29 February 2020, respectively.

FINANCIAL INFORMATION

Income tax expense

Our income tax expense increased by approximately MOP75,000 (or approximately 7.0%) from approximately MOP1.1 million for the two months ended 28 February 2019 to approximately MOP1.2 million for the two months ended 29 February 2020, which was primarily attributable to the increase in our assessable profit mainly due to the increase in our gross profit as discussed above.

Our effective income tax rate increased from approximately 11.3% for the two months ended 28 February 2019 to approximately 12.5% for the two months ended 29 February 2020, which was primarily attributable to the recognition of our tax non-deductible listing expenses of approximately MOP0.9 million for the two months ended 29 February 2020.

Profit for the period

Our profit for the period decreased by approximately MOP0.3 million (or approximately 3.9%) from approximately MOP8.4 million for the two months ended 28 February 2019 to approximately MOP8.1 million for the two months ended 29 February 2020, which was primarily attributable to the combined effect of the abovementioned items.

SENSITIVITY AND BREAK-EVEN ANALYSIS

Sensitivity analysis

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in (i) our contract price; (ii) our material costs; (iii) our labour costs; and (iv) our subcontracting costs, assuming all other variables remaining constant, on our profit before tax for the periods indicated:

Hypothetical fluctuation rates (Note 1)	+11.0%	+22.0%	-11.0%	-22.0%
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
Contract price:				
2017	17,683	35,365	(17,683)	(35,365)
2018	24,008	48,016	(24,008)	(48,016)
2019	26,145	52,290	(26,145)	(52,290)
Two months ended 29 February 2020	5,336	10,673	(5,336)	(10,673)

FINANCIAL INFORMATION

Hypothetical fluctuation rates (Note 2)	+30.0%	+59.0%	-30.0%	-59.0%
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>

Material costs:

2017	(6,055)	(11,909)	6,055	11,909
2018	(13,243)	(26,045)	13,243	26,045
2019	(15,233)	(29,959)	15,233	29,959
Two months ended 29 February 2020	(2,152)	(4,232)	2,152	4,232

Hypothetical fluctuation rates (Note 3)	+12.0%	+24.0%	-12.0%	-24.0%
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>

Labour costs:

2017	(1,429)	(2,857)	1,429	2,857
2018	(2,006)	(4,013)	2,006	4,013
2019	(2,176)	(4,351)	2,176	4,351
Two months ended 29 February 2020	(315)	(631)	315	631

Hypothetical fluctuation rates (Note 4)	+9.0%	+17.0%	-9.0%	-17.0%
--	--------------	---------------	--------------	---------------

Subcontracting costs:

2017	(7,584)	(14,325)	7,584	14,325
2018	(9,530)	(18,001)	9,530	18,001
2019	(10,316)	(19,485)	10,316	19,485
Two months ended 29 February 2020	(2,403)	(4,539)	2,403	4,539

Notes:

- (1) The hypothetical fluctuation rates for our contract price are set at 11.0% and 22.0%, which correspond to the CAGR of our revenue of approximately 21.6% from 2017 to 2019.
- (2) The hypothetical fluctuation rates for our material costs are set at 30.0% and 59.0%, which correspond to the CAGR of our material costs of approximately 58.6% from 2017 to 2019.
- (3) The hypothetical fluctuation rates for our labour costs are set at 12.0% and 24.0%, which correspond to the CAGR of our labour costs of approximately 23.4% from 2017 to 2019.
- (4) The hypothetical fluctuation rates for our subcontracting costs are set at 9.0% and 17.0%, which correspond to the CAGR of our subcontracting costs of approximately 16.6% from 2017 to 2019.

Breakeven analysis

For illustrative purpose, assuming all other variables remaining constant, we would record breakeven in our profit before tax if our cost of services increased by approximately 29.4%, 19.3%, 24.9% and 25.3% during the Track Record Period, respectively.

FINANCIAL INFORMATION

LIQUIDITY AND CAPITAL RESOURCES

Our source of funds for our operations mainly comes from (i) capital contribution from our Controlling Shareholders; and (ii) cash generated from our operating activities. We did not experience any liquidity shortage during the Track Record Period. We managed our liquidity risks by maintaining adequate reserves, credit facilities, monitoring our forecasted and actual cash flows and matching the maturity profiles of our assets and liabilities continuously.

In the future, we may need additional cash resources as a result of (i) the change of our business conditions or other developments; and (ii) opportunities for investment, acquisition, and collaborations of other similar actions. Upon the Listing, our source of funds will be mainly a combination of (i) internal generated funds; (ii) borrowings; and (iii) net proceeds from the Global Offering. However, our ability to fund our working capital needs, repay our indebtedness and finance other obligations depends on our future operating performance and cash flow, which are in turn subject to the prevailing economic conditions, the level of spending by our customers and other factors, many of which are beyond our control. If our existing cash resources are insufficient to meet our requirements, we may seek to obtain extra credit facilities, or sell or issue equity securities, which might result in dilution to our Shareholders.

Net current assets

The following table sets forth a breakdown of our current assets and current liabilities as at the dates indicated:

	As at 31 December			As at 29 February	As at 30 June
	2017	2018	2019	2020	2020
	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000 (unaudited)
Current assets					
Contract assets	7,370	24,655	76,915	96,015	54,544
Debtors, deposits and prepayments	53,546	65,566	50,820	37,154	56,396
Amount due from a related company	12	–	–	–	–
Amounts due from Controlling Shareholders	5,752	–	–	–	–
Pledged bank deposits	2,685	2,699	2,710	2,713	2,717
Bank balances and cash	8,593	18,731	34,038	40,900	46,142
	<u>77,958</u>	<u>111,651</u>	<u>164,483</u>	<u>176,782</u>	<u>159,799</u>

FINANCIAL INFORMATION

	As at 31 December			As at 29 February	As at 30 June
	2017	2018	2019	2020	2020
	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000 (unaudited)
Current liabilities					
Contract liabilities	15,112	21,976	30,651	22,707	20,492
Creditors and accrued charges	6,056	15,223	17,557	28,507	3,604
Lease liabilities	736	768	638	561	1,031
Tax liabilities	13,223	13,556	14,532	15,684	17,622
	35,127	51,523	63,378	67,459	42,749
Net current assets	42,831	60,128	101,105	109,323	117,050

Our net current assets increased from approximately MOP42.8 million as at 31 December 2017 to approximately MOP60.1 million as at 31 December 2018, which was (i) primarily attributable to our profit of approximately MOP27.4 million in 2018, partially offset by the payment of dividend of MOP10.0 million in 2018; and (ii) reflected by (a) the increase in our contract assets from approximately MOP7.4 million as at 31 December 2017 to approximately MOP24.7 million as at 31 December 2018; and (b) the increase in our bank balances and cash from approximately MOP8.6 million as at 31 December 2017 to approximately MOP18.7 million as at 31 December 2018.

Our net current assets increased to approximately MOP101.1 million as at 31 December 2019, which was (i) primarily attributable to our profit of approximately MOP40.5 million in 2019; and (ii) reflected by (a) the increase in our contract assets to approximately MOP76.9 million as at 31 December 2019; and (b) the increase in our bank balances and cash to approximately MOP34.0 million as at 31 December 2019.

Our net current assets increased to approximately MOP109.3 million as at 29 February 2020, which was (i) primarily attributable to our net profit of approximately MOP8.1 million generated for the two months ended 29 February 2020; and (ii) reflected by the increase in our contract assets to approximately MOP96.0 million as at 29 February 2020, partially offset by the increase in our creditors and accrued charges from approximately MOP17.6 million as at 31 December 2019 to approximately MOP28.5 million as at 29 February 2020.

Please refer to “Discussion of selected balance sheet items – Contract assets/liabilities”, “Discussion of selected balance sheet items – Creditors and accrued charges” and “Liquidity and capital resources – Cash flows” in this section for the details of the fluctuations in our contract assets, creditors and accrued charges, and bank balances and cash, respectively.

FINANCIAL INFORMATION

Our net current assets increased to approximately MOP117.1 million as at 30 June 2020, which was primarily attributable to our profit generated for the four months ended 30 June 2020 and reflected by the decrease in our current liabilities exceeding the decrease in our current assets, which was primarily attributable to the decrease in our creditors and accrued charges from approximately MOP28.5 million as at 29 February 2020 to approximately MOP3.6 million as at 30 June 2020 mainly due to the settlement of our trade payables as at 29 February 2020 during the four months ended 30 June 2020.

Please refer to “Discussion of selected balance sheet items” in this section for further analysis of the other components of our current assets and current liabilities.

Cash flows

The following table sets forth a summary of our cash flows, which is extracted from our consolidated statements of cash flows in the Accountants’ Report in Appendix I to this prospectus, for the periods indicated:

	Year ended 31 December			Two months ended 28/29 February	
	2017	2018	2019	2019	2020
	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
				<i>(unaudited)</i>	
Operating cash flows					
before movements in					
working capital	35,529	33,784	47,485	9,671	9,509
Movements in working capital	(20,284)	(10,809)	(26,546)	18,938	(2,382)
Income tax paid	–	(4,632)	(4,480)	–	–
Net cash from operating activities	15,245	18,343	16,459	28,609	7,127
Net cash (used in)/from investing activities	(2,807)	5,303	(10)	–	–
Net cash used in financing activities	(13,916)	(13,508)	(1,142)	(157)	(265)
Net (decrease)/increase in cash and cash equivalents	(1,478)	10,138	15,307	28,452	6,862
Cash and cash equivalents at beginning of the year/period	10,071	8,593	18,731	18,731	34,038
Cash and cash equivalents at end of the year/period, represented by bank balances and cash	8,593	18,731	34,038	47,183	40,900

We recorded net cash outflow of approximately MOP1.5 million in 2017 primarily attributable to the payment of dividends of MOP12.6 million in 2017.

FINANCIAL INFORMATION

Operating activities

During the Track Record Period, our cash generated from operating activities principally represented the receipt of payments from our customers, while our cash used in operating activities was mainly related to the payments for costs incurred in our projects, expenses relating to operating activities and income tax. Net cash from operating activities reflects our profit before tax adjusted for (i) non-cash items; (ii) the effects of changes in working capital; and (iii) items not related to operating activities.

In 2017, our net cash from operating activities of approximately MOP15.2 million comprised profit before tax of approximately MOP34.5 million and was mainly adjusted for changes in working capital primarily reflected by (i) an increase in debtors, deposits and prepayments of approximately MOP41.6 million; (ii) a decrease in contract assets of approximately MOP7.3 million; (iii) an increase in creditors and accrued charges of approximately MOP1.0 million; and (iv) an increase in contract liabilities of approximately MOP13.1 million.

In 2018, our net cash from operating activities of approximately MOP18.3 million comprised profit before tax of approximately MOP32.4 million and was mainly adjusted for changes in working capital primarily reflected by (i) an increase in debtors, deposits and prepayments of approximately MOP9.5 million; (ii) an increase in contract assets of approximately MOP17.3 million; (iii) an increase in creditors and accrued charges of approximately MOP9.2 million; and (iv) an increase in contract liabilities of approximately MOP6.9 million, and the payment of income tax of approximately MOP4.6 million.

In 2019, our net cash from operating activities of approximately MOP16.5 million comprised profit before tax of approximately MOP46.0 million and was mainly adjusted for changes in working capital primarily reflected by (i) a decrease in debtors, deposits and prepayments of approximately MOP14.8 million; (ii) an increase in contract assets of approximately MOP52.4 million; (iii) an increase in creditors and accrued charges of approximately MOP2.3 million; and (iv) an increase in contract liabilities of approximately MOP8.7 million, and the payment of income tax of approximately MOP4.5 million.

For the two months ended 28 February 2019, our net cash from operating activities of approximately MOP28.6 million comprised profit before tax of approximately MOP9.5 million and was mainly adjusted for changes in working capital primarily reflected by (i) a decrease in debtors, deposits and prepayments of approximately MOP37.5 million; (ii) an increase in contract assets of approximately MOP13.5 million; (iii) a decrease in creditors and accrued charges of approximately MOP11.4 million; and (iv) an increase in contract liabilities of approximately MOP6.3 million.

FINANCIAL INFORMATION

For the two months ended 29 February 2020, our net cash from operating activities of approximately MOP7.1 million comprised profit before tax of approximately MOP9.3 million and was mainly adjusted for changes in working capital primarily reflected by (i) a decrease in debtors, deposits and prepayments of approximately MOP13.8 million; (ii) an increase in contract assets of approximately MOP19.2 million; (iii) an increase in creditors and accrued charges of approximately MOP11.0 million; and (iv) a decrease in contract liabilities of approximately MOP7.9 million.

We maintained a relatively stable level of net cash from operating activities in 2017, 2018 and 2019. The significant decrease in our operating cash inflow from approximately MOP28.6 million for the two months ended 28 February 2019 to approximately MOP7.1 million for the two months ended 29 February 2020 was primarily attributable to the reduction of a decrease in debtors, deposits and prepayments from approximately MOP37.5 million for the two months ended 28 February 2019 to approximately MOP13.8 million for the two months ended 29 February 2020 mainly due to the higher level of settlement of our trade receivables for the two months ended 28 February 2019.

Please refer to “Discussion of selected balance sheet items” in this section for further details of and analysis of our working capital.

Investing activities

During the Track Record Period, our cash generated from investing activities mainly consisted of repayments from our Controlling Shareholders, while our cash used in investing activities mainly consisted of purchases of property, plant and equipment, placement of pledged bank deposits.

In 2017, our net cash used in investing activities was approximately MOP2.8 million, which was primarily contributed by the placement of pledged bank deposits of approximately MOP2.7 million.

In 2018, our net cash from investing activities was approximately MOP5.3 million, which was primarily contributed by repayments from our Controlling Shareholders of approximately MOP5.8 million, partially offset by purchases of property, plant and equipment of approximately MOP0.4 million.

We recorded investing cash outflow of approximately MOP2.8 million in 2017 but investing cash outflow of approximately MOP5.3 million in 2018, which was mainly due to the placement of pledged bank deposits of approximately MOP2.7 million in 2017 as security for our performance bonds as opposed to repayments from our Controlling Shareholders of approximately MOP5.8 million in 2018.

In 2019 and for the two months ended 28 February 2019 and 29 February 2020, our net cash used in investing activities was approximately MOP10,000, nil and nil, respectively, which was insignificant.

FINANCIAL INFORMATION

Financing activities

During the Track Record Period, our cash used in financing activities mainly consisted of repayments to our lease liabilities, our dividend payments and our payments of share issue costs.

During the Track Record Period, our net cash used in financing activities amounted to approximately MOP13.9 million, MOP13.5 million, MOP1.1 million and MOP0.3 million, respectively, which was mainly contributed by (i) our dividend payments of MOP12.6 million, MOP10.0 million, nil and nil, respectively; (ii) our payments of share issue costs of approximately MOP0.6 million, MOP2.6 million, MOP0.1 million and MOP91,000, respectively; and (iii) our repayments of lease liabilities of approximately MOP0.6 million, MOP0.8 million, MOP0.9 million and MOP0.2 million, respectively.

The significant decrease in our financing cash outflow from approximately MOP13.9 million and MOP13.5 million in 2017 and 2018, respectively, to approximately MOP1.1 million in 2019 was mainly due to our dividend payments of approximately MOP12.6 million and MOP10.0 million in 2017 and 2018, respectively.

Sufficiency of working capital

Our Directors are of the opinion that, taking into account the financial resources available to us, including our available credit facilities, cash and cash equivalents on hand, cash generated from our operations and the estimated net proceeds from the Global Offering, and in the absence of unforeseen circumstances, we have available sufficient working capital for our present requirements and for at least 12 months from the date of this prospectus.

FINANCIAL INFORMATION

DISCUSSION OF SELECTED BALANCE SHEET ITEMS

The following table includes items from our consolidated statements of financial position as at 31 December 2017, 2018 and 2019 and 29 February 2020, which have been extracted from, and should be read in conjunction with the Accountants' Report in Appendix I to this prospectus.

	As at 31 December			As at 29 February
	2017	2018	2019	2020
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
Non-current assets				
Property, plant and equipment	1,034	1,107	741	690
Right-of-use assets	1,471	1,178	1,249	1,095
	<u>2,505</u>	<u>2,285</u>	<u>1,990</u>	<u>1,785</u>
Current assets				
Contract assets	7,370	24,655	76,915	96,015
Debtors, deposits and prepayments	53,546	65,566	50,820	37,154
Amount due from a related company	12	–	–	–
Amounts due from Controlling Shareholders	5,752	–	–	–
Pledged bank deposits	2,685	2,699	2,710	2,713
Bank balances and cash	8,593	18,731	34,038	40,900
	<u>77,958</u>	<u>111,651</u>	<u>164,483</u>	<u>176,782</u>
Current liabilities				
Contract liabilities	15,112	21,976	30,651	22,707
Creditors and accrued charges	6,056	15,223	17,557	28,507
Lease liabilities	736	768	638	561
Tax liabilities	13,223	13,556	14,532	15,684
	<u>35,127</u>	<u>51,523</u>	<u>63,378</u>	<u>67,459</u>
Net current assets	<u>42,831</u>	<u>60,128</u>	<u>101,105</u>	<u>109,323</u>

FINANCIAL INFORMATION

	As at 31 December			As at 29 February
	2017	2018	2019	2020
	MOP'000	MOP'000	MOP'000	MOP'000
Non-current liability				
Lease liabilities	873	520	664	578
Net assets	<u>44,463</u>	<u>61,893</u>	<u>102,431</u>	<u>110,530</u>
Capital and reserves				
Share capital	—*	—*	—*	—*
Reserves	<u>44,463</u>	<u>61,893</u>	<u>102,431</u>	<u>110,530</u>
Total equity	<u>44,463</u>	<u>61,893</u>	<u>102,431</u>	<u>110,530</u>

* less than MOP1,000

Property, plant and equipment

Our property, plant and equipment mainly comprised (i) our leasehold improvements; (ii) office equipment; and (iii) furniture and fixtures.

Our property, plant and equipment decreased from approximately MOP1.0 million and MOP1.0 million as at 31 December 2017 and 2018, respectively, to approximately MOP0.7 million and MOP0.7 million as at 31 December 2019 and 29 February 2020, respectively, which was primarily attributable to the depreciation of approximately MOP0.4 million and MOP51,000 charged in 2019 and for the two months ended 29 February 2020, respectively.

Right-of-use assets

Our right-of-use assets represented our right to use our leased assets (i.e. office premises, warehouse workshop, carpark spaces and printers) with lease terms ranging from one year to five years, which were initially measured at cost and subsequently measured at cost less accumulated depreciation and impairment losses under IFRS 16.

The decrease in our right-of-use assets from approximately MOP1.5 million as at 31 December 2017 to approximately MOP1.2 million and MOP1.2 million as at 31 December 2018 and 2019, respectively, was primarily attributable to our depreciation of right-of-use assets of approximately MOP0.8 million and MOP0.9 million in 2018 and 2019, respectively, partially offset by the addition of our right-of-use assets in respect of new lease and renewal of lease of our office premises of approximately MOP0.5 million and MOP0.9 million in 2018 and 2019, respectively.

FINANCIAL INFORMATION

The further decrease in our right-of-use assets to approximately MOP1.1 million as at 29 February 2020 was primarily attributable to our depreciation of right-of-use assets of approximately MOP0.2 million for the two months ended 29 February 2020.

For further details of the effect on the adoption of IFRS 16, please refer to “Adoption of new and revised IFRS – Effect on the adoption of IFRS 16 Leases” in this section.

Contract assets/liabilities

The following table sets forth a breakdown of our net contract assets/liabilities for contract works as at the dates indicated:

	As at 31 December			As at 29 February
	2017	2018	2019	2020
	MOP'000	MOP'000	MOP'000	MOP'000
Contract assets (<i>Note 1</i>)	7,370	24,686	77,075	96,268
Less: Allowance for credit losses	–	(31)	(160)	(253)
Contract assets, net	7,370	24,655	76,915	96,015
Contract liabilities (<i>Note 2</i>)	(15,112)	(21,976)	(30,651)	(22,707)
Total	(7,742)	2,679	46,264	73,308

Notes:

- (1) Our contract assets primarily represented our right to consideration for E&M engineering services works completed and not billed as the rights are conditioned on our future performance in satisfying the respective performance obligations.
- (2) Our contract liabilities primarily represented our obligation to transfer E&M engineering services works to our customers for which we have received consideration from our customers.

FINANCIAL INFORMATION

The following tables set forth the details of our top 10 projects in terms of the balances of our contract assets as at 31 December 2019 and 29 February 2020:

As at 31 December 2019

Project	Customer	Role of our Group	Contract value	Month and year of commencement	Month and year of completion/ Expected month and year of completion	Status of project as at the Latest Practicable Date	Contract assets
			MOP'000				MOP'000
Project 5	ACEL	Subcontractor	48,551	March 2018	June 2019	Completed	32,479
Project 1	ACEL	Subcontractor	144,797	January 2017	December 2018	Completed	10,121
Project 3	Customer F	Subcontractor	66,320	June 2018	June 2020	Completed	6,891
ELV systems works project for an office building of the judicial authority in Macau	Customer A	Subcontractor	31,000	May 2019	October 2020	In progress	3,019
LV systems works project for a casino hotel located at Taipa, Macau	ACEL	Subcontractor	2,461	January 2019	March 2020	Completed	2,461
LV systems works project for gaming hall 1 at an integrated urban casino resort located in Cotai, Macau	ACEL	Subcontractor	2,234	March 2019	October 2019	Completed	2,234
LV systems works project for gaming hall 2 at an integrated urban casino resort located in Cotai, Macau	ACEL	Subcontractor	1,971	March 2019	October 2019	Completed	1,971
ELV systems works project for a wet market in Taipa	Customer C	Subcontractor	8,606	January 2018	July 2020	Completed	1,520
LV systems works project for gaming hall 3 at an integrated urban casino resort located in Cotai, Macau	Customer D	Main contractor	5,939	May 2019	July 2020	Completed	1,455
LV systems works project for a commercial premises located at Zona Industrial Transfronteiriça de Zhuhai-Macau	Customer E	Main contractor	24,107	March 2018	September 2018	Completed	1,009
Total							63,160

FINANCIAL INFORMATION

As at 29 February 2020

Project	Customer	Role of our Group	Contract value	Month and year of commencement	Month and year of completion/ Expected month and year of completion	Status of project as at the Latest Practicable Date	Contract assets	Subsequent billings up to the Latest Practicable Date	Subsequent settlement up to the Latest Practicable Date	Expected month and year of final billing/ settlement
			<i>MOP'000</i>				<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	
Project 5	ACEL	Subcontractor	48,551	March 2018	June 2019	Completed	32,479	32,479	23,020	Third quarter of 2020
Project 2	Customer D	Main contractor	78,041	February 2020	December 2020	In progress	18,800	18,800	18,800	N/A
Project 1	ACEL	Subcontractor	144,797	January 2017	December 2018	Completed	10,121	10,121	–	Third quarter of 2020
LV systems works project for gaming hall 3 at an integrated urban casino resort located in Cotai, Macau	Customer D	Main contractor	5,939	May 2019	July 2020	Completed	4,919	–	–	Third quarter of 2020
Project 3	Customer F	Subcontractor	66,320	June 2018	June 2020	Completed	4,322	3,845	3,845	Fourth quarter of 2020
ELV systems works project for an office building of the judicial authority in Macau	Customer A	Subcontractor	31,000	May 2019	October 2020	In progress	4,167	3,100	3,100	Fourth quarter of 2020
LV systems works project for a casino hotel located at Taipa, Macau	ACEL	Subcontractor	2,461	January 2019	March 2020	Completed	2,461	2,461	2,461	N/A
LV systems works project for gaming hall 1 at an integrated urban casino resort located in Cotai, Macau	ACEL	Subcontractor	2,234	March 2019	October 2019	Completed	2,234	2,120	2,120	Third quarter of 2020
LV systems works project for gaming hall 2 at an integrated urban casino resort located in Cotai, Macau	ACEL	Subcontractor	1,971	March 2019	October 2019	Completed	1,971	1,947	1,947	Third quarter of 2020
ELV systems works project for a wet market in Taipa	Customer C	Subcontractor	8,606	January 2018	July 2020	Completed	1,884	1,884	1,884	N/A
Total							83,358	76,757	57,177	

FINANCIAL INFORMATION

As at 31 December 2017, 2018 and 2019 and 29 February 2020, we had retention money held by our customers of approximately MOP2.4 million, MOP2.5 million, MOP7.3 million and MOP6.4 million included in our contract assets, respectively.

The following table sets forth an ageing analysis of our retention money which was to be settled, based on the expiry of defect liability period, as at the dates indicated:

	As at 31 December			As at 29 February
	2017	2018	2019	2020
	MOP'000	MOP'000	MOP'000	MOP'000
On demand or within				
one year	1,117	1,896	2,072	2,072
After one year	1,268	617	5,235	4,316
Total	<u>2,385</u>	<u>2,513</u>	<u>7,307</u>	<u>6,388</u>

Our contract assets and contract liabilities vary from period to period due to the timing difference in aggregate value of contract works performed by us at the end of each reporting period and the aggregate amount of progress billings charged to our customers at the end of each reporting period. Our contract assets will be transferred to our trade receivables when the rights become unconditional after our future performance in satisfying the respective performance obligations on our E&M projects.

We recorded a change from net contract liabilities of approximately MOP7.7 million as at 31 December 2017 to net contract assets of approximately MOP2.7 million as at 31 December 2018, which was primarily attributable to the combined effect of the followings:

- (i) the increase in our contract assets from approximately MOP7.4 million as at 31 December 2017 to approximately MOP24.7 million as at 31 December 2018 mainly due to the change from aggregate contract liabilities for four E&M projects (namely Project 5, a large-scale HVAC systems works project for the new headquarters of a special unit in Coloane, a large-scale integrated E&M project for a community centre of a public housing estate in Seac Pai Van, Macau, and an ELV systems works project for the VIP clubs of several junket operators at an integrated resort in Cotai) of approximately MOP1.1 million as at 31 December 2017 to aggregate contract assets of approximately MOP15.1 million as at 31 December 2018, which represented our unbilled contract revenue resulting from the difference between our revenue recognised in accordance with IFRS 15 based on input method and the perceived works endorsed by our customers (i.e. our progress billings). We recorded the balances of contract assets of approximately MOP15.1 million for the aforesaid four E&M projects as at 31 December 2018 primarily because the proportion of work progress of these four E&M projects (as the basis for the recognition of the contract revenue) was greater than the proportion which was agreed to be billed between our customers and us as at 31 December 2018; and

FINANCIAL INFORMATION

- (ii) the increase in our contract liabilities from approximately MOP15.1 million as at 31 December 2017 to approximately MOP22.0 million as at 31 December 2018 mainly due to the fact that our progress billings was ahead of our contract revenue recognised in 2018 for a new large-scale HVAC systems works project, namely Project 3 leading to the recognition of contract liabilities of approximately MOP4.7 million as at 31 December 2018.

Our net contract assets increased to approximately MOP46.3 million as at 31 December 2019, which was primarily attributable to the combined effect of the following:

- (i) the increase in our contract assets to approximately MOP76.9 million as at 31 December 2019 mainly due to (a) the change from aggregate contract liabilities (i.e. our accumulated progress billings ahead of our accumulated contract revenue recognised) for two large-scale E&M projects (namely Project 1 and Project 3) of approximately MOP8.9 million as at 31 December 2018 to our aggregate contract assets of approximately MOP17.0 million as at 31 December 2019; and (b) the increase in our contract assets of Project 5 from approximately MOP2.7 million as at 31 December 2018 to approximately MOP32.5 million as at 31 December 2019, since the contract revenue recognised for these three E&M projects in accordance with our E&M engineering services works performed during the contract period was greater than our progress billings for the same period. We recorded significant balances of contract assets of (a) approximately MOP10.1 million for Project 1 mainly because we were still in progress to finalise the final account of this project as, notwithstanding that we have completed the relevant works of this project, our customer has carried out more extensive testing and commissioning works on the works performed by us and our subcontractors due to the relatively large project scale to ensure that all defect rectification works, if any, are completed; (b) approximately MOP6.9 million for Project 3 mainly because we incurred significant amount of costs in late 2019 which were unbilled as at 31 December 2019; and (c) approximately MOP32.5 million for Project 5 mainly because (1) we did not submit any payment application for our works done to our customer subsequent to the project completion in June 2019 primarily owing to the request of our customer (being the main contractor of Project 5) and such request was, to our Directors' best knowledge, information and belief, due to the prolonged payment certification process between our customer and the project owner as they were unable to reach an agreement as to the scope and amount of works performed by our customer under the main contract; and as confirmed by Frost & Sullivan, it is not uncommon in the Macau E&M engineering services industry for the payment settlement by a main contractor to its subcontractor to be subject to the payment progress between the main contractor and the project owner as the main contractor generally pays its subcontractor after receiving payments from the project owner; and (2) this project involved a series of installation works which required a relatively higher level of involvement of our project managers as well as the project managers of our main contractor and the project owner for proper supervision of the quality of the relevant works performed by us and our subcontractors, resulting in a relatively longer duration of communication between the relevant parties in reaching an agreed work progress of our works prior to our billing; and

FINANCIAL INFORMATION

- (ii) the increase in our contract liabilities to approximately MOP30.7 million as at 31 December 2019 mainly due to the fact that our progress billings was ahead of our contract revenue recognised for a new large-scale E&M project, namely Project 4 leading to the recognition of contract liabilities of approximately MOP12.5 million as at 31 December 2019.

Our net contract assets remained relatively high and increased to approximately MOP73.3 million as at 29 February 2020, which was primarily attributable to the combined effect of the followings:

- (i) despite our Group's business operations had not been materially affected by the outbreak of COVID-19 as at the Latest Practicable Date, some of the construction sites in Macau were suspended for around two weeks in February 2020 voluntarily with a view to combating the COVID-19 outbreak, leading to a delay in the progress billings of our certain E&M projects, mainly including Project 1 and Project 5 which were expected to be billed subsequent to the lunar new year holiday in February 2020. On 15 July 2020, our last payment application of Project 5 of approximately MOP9.5 million was submitted to our customer and thus, the contract works of Project 5 were fully certified and billed. As at the Latest Practicable Date, the aggregate progress payments received from our customer amounted to approximately MOP39.1 million, representing approximately 80.5% of the total contract value of Project 5. After discussion with our customer, our Directors expect that the final payment of approximately MOP9.5 million will be received in the third quarter of 2020. As such, we considered that the contract assets attributable to Project 5 of approximately MOP32.5 million as at 29 February 2020 would be fully recoverable;
- (ii) the increase in our contract assets to approximately MOP96.0 million as at 29 February 2020 mainly due to the fact that our contract revenue recognised was ahead of our progress billings for the two months ended 29 February 2020 for a new large-scale LV systems works project, namely Project 2, mainly because we commenced the preparation works of this project in early 2020 and incurred the relevant upfront costs which were remain unbilled as at 29 February 2020, leading to the recognition of contract assets of approximately MOP18.8 million as at 29 February 2020. The balance of contract assets of approximately MOP18.8 million for Project 2 as at 29 February 2020 were subsequently billed and fully settled as at the Latest Practicable Date; and
- (iii) the decrease in our contract liabilities to approximately MOP22.7 million as at 29 February 2020 mainly due to the reduction of our contract liabilities (i.e. our accumulated progress billings ahead of our accumulated contract revenue recognised) for a large-scale E&M project, namely Project 4 from approximately MOP12.5 million as at 31 December 2019 to approximately MOP2.7 million as at 29 February 2020 mainly due to the significant contract revenue recognised in respect of the substantial work progress of Project 4 for the two months ended 29 February 2020.

FINANCIAL INFORMATION

As at the Latest Practicable Date, approximately MOP80.7 million (or approximately 83.9%) and approximately MOP60.0 million (or approximately 62.3%) of our gross contract assets as at 29 February 2020 were subsequently billed and settled, respectively.

Debtors, deposits and prepayments

The following table sets forth a breakdown of our debtors, deposits and prepayments as at the dates indicated:

	As at 31 December			As at
	2017	2018	2019	29 February
	MOP'000	MOP'000	MOP'000	2020
				MOP'000
Trade receivables (<i>Note 1</i>)	50,529	56,227	41,149	27,024
Less: allowance for credit losses	—	(104)	(158)	(110)
Trade receivables, net	50,529	56,123	40,991	26,914
Other debtors, deposits and prepayments:				
– Deposits (<i>Note 2</i>)	1,434	6,106	6,162	6,243
– Prepayments	425	17	347	345
– Deferred share issue costs	1,152	3,320	3,320	3,652
– Others	6	—	—	—
Subtotal	3,017	9,443	9,829	10,240
Total	53,546	65,566	50,820	37,154

Notes:

- (1) Our trade receivables represented the progress billings of our work performed by us yet to be received from our customers.
- (2) Our deposits primarily represented our (i) our performance guarantee money placed to our customers as securities for the performance of our E&M projects; and (ii) rental and utility deposits.

FINANCIAL INFORMATION

Our debtors, deposits and prepayments increased from approximately MOP53.5 million as at 31 December 2017 to approximately MOP65.6 million as at 31 December 2018, which was primarily attributable to (i) the increase in our net trade receivables from approximately MOP50.5 million as at 31 December 2017 to approximately MOP56.1 million as at 31 December 2018 mainly in line with the increase in our revenue and mainly due to the increase in our trade receivables aged over 90 days from approximately MOP4.2 million as at 31 December 2017 to approximately MOP16.6 million as at 31 December 2018 mainly as a result of the slight delay of settlement from ACEL mainly in relation to trade receivables for our certain E&M projects in an integrated resort in Cotai (which had been fully settled subsequently in 2019); (ii) the increase in our deposits from MOP1.4 million as at 31 December 2017 to approximately MOP6.1 million as at 31 December 2018 mainly due to the placement of performance guarantees for certain E&M projects as required by our customers; and (iii) the increase in our deferred share issue costs from approximately MOP1.2 million as at 31 December 2017 to approximately MOP3.3 million as at 31 December 2018.

Our debtors, deposits and prepayments decreased to approximately MOP50.8 million as at 31 December 2019, which was primarily attributable to the decrease in our net trade receivables to approximately MOP41.0 million as at 31 December 2019 mainly due to the decrease in our trade receivables aged over 60 days from approximately MOP23.5 million as at 31 December 2018 to approximately MOP9.2 million as at 31 December 2019 mainly as a result of the settlement of trade receivables by our customers in 2019.

Our debtors, deposits and prepayments decreased to approximately MOP37.2 million as at 29 February 2020, which was primarily attributable to the decrease in our net trade receivables to approximately MOP26.9 million as at 29 February 2020 mainly due to the partial settlement of trade receivables by our customers during the two months ended 29 February 2020 (while a significant amount of contract revenue was yet to be billed and was still recognised as contract assets as at 29 February 2020).

The following table sets forth our average trade receivables turnover days, and average trade receivables and contract assets turnover days for the periods indicated:

	Year ended 31 December			Two months ended
	2017	2018	2019	29 February
	Days	Days	Days	2020
				Days
Average trade receivables turnover days (<i>Note 1</i>)	69.5	89.2	74.6	42.0
Average trade receivables and contract assets turnover days (<i>Note 2</i>)	94.5	116.0	152.6	148.9

FINANCIAL INFORMATION

Notes:

- (1) Our average trade receivables turnover days equals to the average of the opening and closing balances of our net trade receivables divided by our revenue and multiplied by 365 days for 2017, 2018 and 2019, and 60 days for the two months ended 29 February 2020.
- (2) Our average trade receivables and contract assets turnover days equals to the average of the opening and closing balances of the sum of our net trade receivables and our contract assets divided by our revenue and multiplied by 365 days for 2017, 2018 and 2019, and 60 days for the two months ended 29 February 2020.

Our average trade receivables turnover days increased from approximately 69.5 days in 2017 to approximately 89.2 days in 2018, which was primarily attributable to the increase in our trade receivables aged over 90 days from approximately MOP4.2 million as at 31 December 2017 to approximately MOP16.6 million as at 31 December 2018 due to the foregoing reasons discussed above.

Our average trade receivables turnover days decreased to approximately 74.6 days in 2019, which was primarily attributable to the decrease in our trade receivables aged over 60 days from approximately MOP23.5 million as at 31 December 2018 to approximately MOP9.2 million as at 31 December 2019 due to the foregoing reasons discussed above.

Our average trade receivables turnover days further decreased to approximately 42.0 days as at 29 February 2020, which was primarily attributable to the significant decrease in our net trade receivables to approximately MOP26.9 million as at 29 February 2020 mainly due to the foregoing reasons discussed above.

Our average trade receivables and contract assets turnover days increased from approximately 94.5 days in 2017 to approximately 116.0 days in 2018, which was primarily attributable to the increase in our trade receivables turnover days mainly due to the increase in our trade receivables aged over 90 days from approximately MOP4.2 million as at 31 December 2017 to approximately MOP16.6 million as at 31 December 2018 due to the foregoing reasons discussed above.

Our average trade receivables and contract assets turnover days further increased to approximately 152.6 days and 148.9 days in 2019 and for the two months ended 29 February 2020, respectively, which was primarily attributable to the increase in our contract assets from approximately MOP24.7 million as at 31 December 2018 to approximately MOP76.9 million and MOP96.0 million as at 31 December 2019 and 29 February 2020, respectively, mainly due to the reasons as discussed in “Discussion of selected balance sheet items – Contract assets/liabilities” in this section.

FINANCIAL INFORMATION

The following table sets forth an ageing analysis of our gross trade receivables, based on invoice date, as at the dates indicated:

	As at 31 December			As at 29 February
	2017	2018	2019	2020
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
0 to 30 days	44,860	32,053	23,090	8,159
31 to 60 days	1,376	654	8,871	7,338
61 to 90 days	79	6,943	648	2,835
Over 90 days	4,214	16,577	8,540	8,692
Total	50,529	56,227	41,149	27,024

As at 31 December 2017, 2018 and 2019 and 29 February 2020, approximately MOP5.7 million, MOP24.2 million, MOP18.1 million and MOP18.9 million of our trade receivables were past due, respectively.

The following tables set forth the ageing analysis of our past due trade receivables by customers as at the dates indicated:

As at 31 December 2017

	Past due				
	Within 30 days	31 to 60 days	61 to 150 days	Over 150 days	Total
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
Customer B	–	–	3,406	–	3,406
Customer C	1,220	–	–	–	1,220
Other customers	156	79	358	450	1,043
	1,376	79	3,764	450	5,669

FINANCIAL INFORMATION

As at 31 December 2018

	Past due				Total
	Within	31 to	61 to	Over	
	30 days	60 days	150 days	150 days	
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
ACEL	–	–	15,216	747	15,963
Customer B	–	1,395	–	–	1,395
Customer C	–	3,000	–	–	3,000
Customer D	468	2,030	–	–	2,498
Other customers	186	518	531	83	1,318
	<u>654</u>	<u>6,943</u>	<u>15,747</u>	<u>830</u>	<u>24,174</u>

As at 31 December 2019

	Past due				Total
	Within	31 to	61 to	Over	
	30 days	60 days	150 days	150 days	
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
ACEL	–	–	–	1,358	1,358
Customer B	25	37	626	–	688
Customer C	–	–	8	–	8
Customer D	742	372	4,486	1,620	7,220
Customer E	3,074	–	–	–	3,074
Customer H	4,845	–	–	–	4,845
Other customers	185	239	181	261	866
	<u>8,871</u>	<u>648</u>	<u>5,301</u>	<u>3,239</u>	<u>18,059</u>

FINANCIAL INFORMATION

As at 29 February 2020

	Past due					Subsequent settlement up to the Latest Practicable Date
	Within 30 days	31 to 60 days	61 to 150 days	Over 150 days	Total	
	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	
ACEL	–	36	–	1,360	1,396	1,396
Customer B	–	8	–	81	89	8
Customer C	700	380	–	8	1,088	700
Customer D	821	2,049	5,107	2,062	10,039	10,035
Customer E	–	9	–	–	9	9
Customer F	5,817	–	–	–	5,817	5,817
Other customers	–	353	69	5	427	348
	7,338	2,835	5,176	3,516	18,865	18,313

As at the Latest Practicable Date, approximately MOP18.3 million (or approximately 97.1%) of our past due trade receivables as at 29 February 2020 were subsequently settled by our customers.

In determining the recoverability of our trade receivables, we estimate the allowance for credit loss on our trade receivables in accordance with IFRS 9 and take into consideration a number of indicators, including, among others, past-due status, subsequent settlement status, historical write-off experience, nature, size and industry of our customers and credit quality of our customers. In addition, we have chosen a historical period for the past five years as the observed historical loss rates to determine the estimated loss rates of our trade receivables (ranging from 0.01% to 0.7%) during the Track Record Period. We applied the same estimated loss rate throughout the Track Record Period as we assessed the estimated loss rates for every period during the Track Record Period and no significant changes on the estimated loss rates from 31 December 2018 to 29 February 2020 were noted from our periodic assessments. Given the aforesaid impairment assessment and the high subsequent settlement percentage of approximately 97.1% of our past due trade receivables as at 29 February 2020 up to the Latest Practicable Date, our Directors considered that the allowance for credit loss on our trade receivables was adequate.

FINANCIAL INFORMATION

As a result of the impairment review as discussed above and in “Critical accounting policies, estimates and judgements – Trade and other receivables – (ii) Impairment of trade and other receivables” in this section, we recorded allowance for credit loss on our trade receivables of nil, approximately MOP0.1 million, MOP0.2 million, and MOP0.1 million as at 31 December 2017, 2018 and 2019 and 20 February 2020, respectively, on our consolidated statements of financial position. We did not hold any collateral over these past due trade receivables.

In order to mitigate our credit risk in relation to the collectability of our trade receivables, we have implemented the following credit control measures:

- (i) We perform customer acceptance procedures on our customers, including (a) checking our internal record and external available information of our potential and existing customers regarding their principal business, reputation, the length of business relationship with our Group, payment and default history, and financial position; and (b) for sizeable projects, depending on the situation, doing appropriate searches to ascertain the potential and existing customers’ credibility.
- (ii) We monitor customers’ payments continuously and regularly, and evaluate overdue payments on an individual basis for appropriate follow-up actions, including issuing payment reminders, actively liaising with customers, and, if necessary, taking legal actions.
- (iii) We review the recoverable amount of each individual trade receivables balance at the end of each reporting period to ensure adequate impairment losses are provided for irrecoverable amounts in accordance with IFRS, if necessary.

Please refer to “Notes to the historical financial information – 30. Financial instruments – 30b. Financial risk management objectives and policies – Credit risks” in Appendix I to this prospectus for further details of the credit risk of our trade receivables.

As at the Latest Practicable Date, approximately MOP26.5 million (or approximately 98.0%) of our gross trade receivables as at 29 February 2020 were subsequently settled by our customers.

FINANCIAL INFORMATION

Amounts due from a related company and Controlling Shareholders

The following table sets forth a breakdown of our amounts due from a related company and Controlling Shareholders as at the dates indicated:

	As at 31 December			As at 29 February
	2017	2018	2019	2020
	MOP'000	MOP'000	MOP'000	MOP'000
Related company:				
– Ching Wo Cleaning Company Limited (<i>Note</i>)	12	–	–	–
Controlling Shareholders:				
– Mr. Cheong	3,067	–	–	–
– Mr. Leong	2,685	–	–	–
Total	5,752	–	–	–

Note: Ching Wo Cleaning Company Limited is our related company because Mr. Cheong has beneficial interests over that company.

All of our amounts due from a related company and Controlling Shareholders as at 31 December 2017 were non-trade in nature, unsecured, interest-free and repayable on demand, which were fully settled in 2018.

FINANCIAL INFORMATION

Creditors and accrued charges

The following table sets forth a breakdown of our creditors and accrued charges as at the dates indicated:

	As at 31 December			As at 29 February
	2017	2018	2019	2020
	MOP'000	MOP'000	MOP'000	MOP'000
Trade payables (<i>Note 1</i>)	81	8,219	9,616	23,800
Other creditors and accrued charges:				
– Accrued staff bonus	2,887	3,878	3,555	200
– Accrued listing expenses	2,496	546	–	928
– Accrued share issue costs	562	142	–	240
– Other payables and accruals (<i>Note 2</i>)	30	2,438	4,386	3,339
Subtotal	5,975	7,004	7,941	4,707
Total	6,056	15,223	17,557	28,507

Notes:

- (1) Our trade payables primarily represented the payables to our suppliers for the procurement of materials and our subcontractors for the provision of subcontracting works.
- (2) Our other payables and accruals primarily represented (i) our provision of gratuity payments to the family members of a deceased worker in relation to a fatal road traffic accident occurred in 2018 as detailed in “Business – Occupational health and work safety” in this prospectus; (ii) our accruals for auditors’ remuneration and other professional fees; and (iii) our accruals for material costs and subcontracting works which were not invoiced by our suppliers and subcontractors.

Our creditors and accrued charges increased from approximately MOP6.1 million as at 31 December 2017 to approximately MOP15.2 million as at 31 December 2018 and further to approximately MOP17.6 million as at 31 December 2019, which was primarily attributable to (i) the increase in our trade payables from approximately MOP81,000 as at 31 December 2017 to approximately MOP8.2 million and MOP9.6 million as at 31 December 2018 and 2019, respectively, mainly in line with the increase in our cost of services and mainly attributable to (a) our substantial payments of trade payables to our creditors before the end of 2017; and (b) the increase in our outstanding payables of material costs and subcontracting fees for our E&M projects charged by our suppliers and subcontractors; and (ii) the increase in our other payables and accruals from approximately MOP30,000 as at 31 December 2017 to approximately MOP2.4 million and MOP4.4 million as at 31 December 2018 and 2019, partially offset by the decrease in our accrued listing expenses from approximately MOP2.5 million as at 31 December 2017 to approximately MOP0.5 million and nil as at 31 December 2018 and 2019, respectively.

FINANCIAL INFORMATION

Our creditors and accrued charges increased to approximately MOP28.5 million as at 29 February 2020, which was primarily attributable to the increase in our trade payables to approximately MOP23.8 million as at 29 February 2020 mainly due to the increase in the billings by our suppliers and subcontractors mainly for two large-scale E&M projects, namely Project 2 and Project 4, for the two months ended 29 February 2020, partially offset by the decrease in our accrued staff bonus from approximately MOP3.6 million as at 31 December 2019 to approximately MOP0.2 million as at 29 February 2020 mainly due to the payment of staff bonus during the two months ended 29 February 2020.

The following table sets forth our average trade payables turnover days for the periods indicated:

	Year ended 31 December			Two months ended
	2017	2018	2019	29 February
	Days	Days	Days	2020
				Days
Average trade payables turnover days (<i>Note</i>)	4.2	9.0	17.6	27.4

Note: Our average trade payables turnover days equals to the average of the opening and closing balances of our trade payables divided by our cost of services and multiplied by 365 days for 2017, 2018 and 2019, and 60 days for the two months ended 29 February 2020.

The increase in our average trade payables turnover days from approximately 4.2 days in 2017 to approximately 9.0 days and 17.6 days in 2018 and 2019, respectively, was primarily attributable to the insignificant trade payables of approximately MOP81,000 as at 31 December 2017, which was mainly due to our substantial payments of trade payables to our creditors before the end of 2017.

Our average trade payables turnover days increased to approximately 27.4 days as at 29 February 2020, which was primarily attributable to the significant increase in our trade payables from approximately MOP9.6 million as at 31 December 2019 to approximately MOP23.8 million as at 29 February 2020 mainly due to the increase in the billings by our suppliers and subcontractors mainly for two large-scale E&M projects, namely Project 2 and Project 4, for the two months ended 29 February 2020.

FINANCIAL INFORMATION

The following table sets forth an ageing analysis of our trade payables, based on invoice date, as at the dates indicated:

	As at 31 December			As at 29 February
	2017	2018	2019	2020
	MOP'000	MOP'000	MOP'000	MOP'000
0 to 90 days	81	7,723	7,500	23,301
91 to 365 days	–	496	1,167	489
One to two years	–	–	949	10
Total	81	8,219	9,616	23,800

Our Directors confirm that there had been no material defaults in payment of our trade payables during the Track Record Period.

As at the Latest Practicable Date, all of our trade payables as at 29 February 2020 were subsequently settled.

INDEBTEDNESS

Lease liabilities

As at 31 December 2017, 2018 and 2019, 29 February 2020 and 30 June 2020, being the most recent practicable date for the purpose of this indebtedness statement, our lease liabilities amounted to approximately MOP1.6 million, MOP1.3 million, MOP1.3 million, MOP1.1 million and MOP1.9 million, respectively, which primarily represented our outstanding lease payments in respect of our leases of office premises, warehouse workshop, carpark spaces and printers and would be mainly adjusted for interest and lease payments, and the impact of lease modifications.

FINANCIAL INFORMATION

The following table sets forth the maturity analysis of our lease liabilities as at the dates indicated:

	As at 31 December			As at 29 February	As at 30 June
	2017	2018	2019	2020	2020
	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000 (unaudited)
Within one year	736	768	638	561	1,031
Within a period of more than one year but not more than two years	654	318	487	456	813
Within a period of more than two years but not more than five years	219	202	177	122	7
Total	<u>1,609</u>	<u>1,288</u>	<u>1,302</u>	<u>1,139</u>	<u>1,851</u>

As at 30 June 2020, being the most recent practicable date for the purpose of this indebtedness statement, we had lease liabilities of approximately MOP1.9 million, and (i) approximately MOP1.8 million of which were unguaranteed and secured by our rental deposits; and (ii) approximately MOP0.1 million of which were unguaranteed and unsecured.

Performance bonds

The following table sets forth the outstanding performance bonds issued to our Group as at the dates indicated:

	As at 31 December			As at 29 February	As at 30 June
	2017	2018	2019	2020	2020
	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000 (unaudited)
Issued to our Group by a bank	<u>2,685</u>	<u>1,543</u>	<u>1,390</u>	<u>30</u>	<u>30</u>

As at 31 December 2017, 2018 and 2019 and 29 February 2020 and 30 June 2020, being the most recent practicable date for the purpose of this indebtedness statement, our performance bonds were secured by our pledged bank deposits of approximately MOP2.7 million, MOP2.7 million, MOP2.7 million, MOP2.7 million and MOP2.7 million, respectively.

FINANCIAL INFORMATION

As at 31 December 2018 and 2019, 29 February 2020 and 30 June 2020, being the most recent practicable date for the purpose of this indebtedness statement, our banking facilities were also secured by promissory notes of HK\$13.2 million (equivalent to approximately MOP13.6 million) issued by Kento Engineering and endorsed by our Directors, Mr. Cheong and Mr. Leong.

Banking facilities

As at 30 June 2020, being the most recent practicable date for the purpose of this indebtedness statement, the total banking facility granted to our Group for the issuance of performance bonds amounted to approximately MOP5.2 million, of which approximately MOP5.1 million was not utilised.

Save as disclosed in “Indebtedness” in this section, as at 30 June 2020, being the most recent practicable date for the purpose of this indebtedness statement, we did not have outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loans, loans from government, debt securities or other similar indebtedness, finance lease on hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees on other material contingent liabilities outstanding.

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date,

- (i) our facilities are subject to the standard banking conditions and covenants. In addition, there are no material covenants that impose a substantial limitation on our ability to obtain further facilities;
- (ii) we had no material default with regard to covenants and/or breaches of the covenants under our facilities;
- (iii) we had not received any notice from any bank indicating that it might withdraw or downsize our facilities; and
- (iv) we do not have any material external debt financing plans.

Our Directors confirm that there had not been any other material change in our indebtedness since 30 June 2020, being the most recent practicable date for the purpose of this indebtedness statement, and up to the Latest Practicable Date.

FINANCIAL INFORMATION

Contingent liabilities

Save as disclosed in “Indebtedness” in this section, as at 31 December 2017, 2018 and 2019 and 29 February 2020, we did not have any significant contingent liabilities. We are currently not a party to any litigation that is likely to have a material adverse effect on our business, results of operations or financial condition.

OFF-BALANCE SHEET TRANSACTIONS AND ARRANGEMENTS

We have not entered into any material off-balance sheet transactions or arrangements during the Track Record Period and up to the Latest Practicable Date.

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios as at the dates/for the periods indicated:

	Year ended/As at 31 December			Two months ended/ As at 29 February
	2017	2018	2019	2020
<i>Profitability ratios:</i>				
Net profit margin (<i>Note 1</i>)	18.6%	12.6%	17.1%	16.7%
Return on equity (<i>Note 2</i>)	67.1%	44.3%	39.6%	44.0%
Return on total assets (<i>Note 3</i>)	37.1%	24.1%	24.4%	27.2%
<i>Liquidity ratio:</i>				
Current ratio (<i>Note 4</i>)	2.2 times	2.2 times	2.6 times	2.6 times

Notes:

- (1) Our net profit margin is calculated by our profit divided by our revenue, and multiplied by 100%.
- (2) Our return on equity is calculated by our profit for the year/annualised profit for the period divided by our total equity, and multiplied by 100%.
- (3) Our return on total assets is calculated by our profit for the year/annualised profit for the period divided by our total assets, and multiplied by 100%.
- (4) Our current ratio is calculated by our total current assets divided by our total current liabilities.

FINANCIAL INFORMATION

Net profit margin

Our net profit margin decreased from approximately 18.6% in 2017 to approximately 12.6% in 2018, which was primarily attributable to (i) the decrease in our gross margin from approximately 26.9% in 2017 to approximately 22.9% in 2018; and (ii) the increase in our listing expenses from approximately MOP4.6 million in 2017 to approximately MOP9.6 million in 2018.

Our net profit margin increased to approximately 17.1% in 2019, which was primarily attributable to the decrease in our listing expenses to nil in 2019.

Our net profit margin then remained stable at approximately 16.7% for the two months ended 29 February 2020.

Return on equity

Our return on equity decreased from approximately 67.1% in 2017 to approximately 44.3% in 2018, which was primarily attributable to (i) the decrease in our net profit from approximately MOP29.9 million in 2017 to approximately MOP27.4 million in 2018; and (ii) the increase in our total equity from approximately MOP44.5 million as at 31 December 2017 to approximately MOP61.9 million as at 31 December 2018 mainly due to our net profit of approximately MOP27.4 million in 2018, partially offset by the payment of dividend of approximately MOP10.0 million in 2018.

Our return on equity decreased to approximately 39.6% in 2019, which was primarily attributable to the rate of increase of our total equity by approximately 65.5% exceeding the rate of increase of our net profit by approximately 47.8%.

Our return on equity increased to approximately 44.0% for the two months ended 29 February 2020, which was primarily attributable to the increase in our annualised net profit from approximately MOP40.5 million in 2019 to approximately MOP48.6 million for the two months ended 29 February 2020 mainly due to the increase in our annualised revenue and gross profit.

Return on total assets

Our return on total assets decreased from approximately 37.1% in 2017 to approximately 24.1% in 2018, which was primarily attributable to (i) the decrease in our net profit from approximately MOP29.9 million in 2017 to approximately MOP27.4 million in 2018; and (ii) the increase in our total assets from approximately MOP80.5 million as at 31 December 2017 to approximately MOP113.9 million as at 31 December 2018 mainly due to the increase in our contract assets from approximately MOP7.4 million as at 31 December 2017 to approximately MOP24.7 million as at 31 December 2018.

FINANCIAL INFORMATION

Our return on total assets then remained stable at approximately 24.4% in 2019.

Our return on total assets increased to approximately 27.2% for the two months ended 29 February 2020, which was primarily attributable to the increase in our annualised net profit from approximately MOP40.5 million in 2019 to approximately MOP48.6 million for the two months ended 29 February 2020 mainly due to the increase in our annualised revenue and gross profit.

Current ratio

Our current ratio remained stable at approximately 2.2 times and 2.2 times as at 31 December 2017 and 2018, respectively.

Our current ratio increased to approximately 2.6 times as at 31 December 2019, which was primarily attributable to the increase in our current assets from approximately MOP111.7 million as at 31 December 2018 to approximately MOP164.5 million as at 31 December 2019 mainly due to the increase in our contract assets from approximately MOP24.7 million as at 31 December 2018 to approximately MOP76.9 million as at 31 December 2019.

Our current ratio then remained stable at approximately 2.6 times as at 29 February 2020.

CAPITAL EXPENDITURES

During the Track Record Period, we paid an aggregate amount of approximately MOP0.1 million, MOP0.4 million, MOP10,000 and nil, respectively, for capital expenditures primarily in relation to the purchases of our property, plant and equipment.

We intend to fund our capital expenditures through a combination of the net proceeds receivable by us from the Global Offering and the cash flows generated from our operating activities. Save as disclosed in “Future plans and use of proceeds” in this prospectus, we have no other material planned capital expenditure in 2020.

COMMITMENTS

As at 31 December 2017, 2018 and 2019 and 29 February 2020, we did not have material capital commitments.

LISTING EXPENSES

The total estimated listing expenses in connection with the Global Offering are approximately HK\$57.5 million (based on the mid-point of the Offer Price of HK\$1.10 per Offer Share), of which:

- (i) approximately HK\$4.5 million, HK\$9.3 million, HK\$0.9 million and HK\$12.7 million were charged/are expected to be charged to our profit or loss in 2017 and 2018, for the two months ended 29 February 2020 and the 10 months ending 31 December 2020, respectively;

FINANCIAL INFORMATION

(ii) approximately HK\$25.9 million is expected to be accounted for as a deduction from equity upon the Listing; and

(iii) approximately HK\$4.2 million will be borne by the Selling Shareholders.

Our Directors are of the view that our financial results in 2020 are expected to be adversely affected by, among others, our listing expenses, the nature of which is non-recurring. Potential investors should note that our financial performance in 2020 is expected to be adversely affected by our estimated non-recurring listing expenses mentioned above, and may or may not be comparable to our financial performance in the past.

In addition, our Directors would like to emphasise that the amount of our listing expenses is a current estimate for reference only and the final amount to be recognised in our financial statements is subject to adjustment based on audit and the then changes in variables and assumptions.

DIVIDENDS AND DISTRIBUTABLE RESERVE

We declared and paid the dividends of MOP12.6 million, MOP10.0 million, nil and nil to the then respective shareholders during the Track Record Period, respectively. After the Track Record Period and up to the Latest Practicable Date, we did not declare and pay any dividend to our Shareholders.

Our Directors have absolute discretion as to whether to declare any dividend for any year end and if any, the amount of dividend and the means of payment, subject to the applicable laws and regulations and the approval by our Shareholders. Currently, we have no prescribed dividend policy and the amount of any dividend to be declared and paid in the future will depend on, among other things, our results of operations, cash flows and financial conditions, operating and capital requirements, statutory and regulatory restrictions on the payment of dividends by us, future prospects and other factors that our Directors may consider relevant.

Our Directors would like to emphasise that our historical dividend distribution record may not be used as a reference or basis to determine the level of dividends that may be declared or paid in the future. We also cannot assure that dividends will be paid in the future or as to the timing of any dividends that may be paid in the future. Our Shareholders will be entitled to receive such dividends pro rata according to the amount paid up or credited as paid up on the Shares. Dividends may be paid only out of our distributable profits as permitted under the relevant laws.

FINANCIAL INFORMATION

Our reserves available for distribution to Shareholders consist of share premium and retained earnings. Under the Cayman Companies Law and subject to compliance with the Articles, the share premium account may be applied by our Company for paying distributions of dividends to our Shareholders if immediately following the date on which the distribution or dividend is proposed to be paid, we will be able to pay off our debts as they fall due in the ordinary course of business. In the event that our Company receives dividends declared by its subsidiaries, our Company will be able to declare and distribute dividends out of its retained earnings. Our Company did not have any distributable reserve available for distribution to our Shareholders as at 29 February 2020.

PROPERTY INTERESTS

Please refer to “Business – Properties” in this prospectus for the further details of our property interests.

RELATED PARTY TRANSACTIONS

Our Directors are of the opinion that our related party transactions were conducted on normal commercial terms. Our Directors confirm that our related party transactions will be discontinued before the Listing.

Please refer to “Notes to the historical financial information – 26. Related party transactions” in Appendix I to this prospectus for further details of our related party transactions.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

Please refer to the unaudited pro forma financial information in Appendix II to this prospectus for the details of our unaudited pro forma adjusted consolidated net tangible assets.

FINANCIAL RISK MANAGEMENT

During the Track Record Period, we were principally subject to the currency risk, interest rate risk, credit risk and liquidity risk in the normal course of business. Please refer to “Notes to the historical financial information – 30. Financial instruments – 30b. Financial risk management objectives and policies” in Appendix I to this prospectus for further details of our financial risk management.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that as at the Latest Practicable Date, they were not aware of any circumstances that would give rise to disclosure required under Rules 13.13 to 13.19 of the Listing Rules.

FINANCIAL INFORMATION

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that since 1 March 2020 and up to the date of this prospectus, there has been no material adverse change in (i) our business operations and business environment in which we are operating; and (ii) our financial or trading position or prospects. Our Directors also confirm that there have been no events since 1 March 2020 which would materially affect the information shown in the Accountants' Report in Appendix I to this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

BUSINESS OBJECTIVES AND BUSINESS STRATEGIES

Please refer to “Business – Our business strategies” in this prospectus for further details of our business objectives and strategies.

USE OF PROCEEDS

In light of our expanding business operations, and taking into account the contractual requirements of our projects on hand as at 30 June 2020 and the Specific Tendered Projects (if so awarded), our Directors consider that it is imperative to prioritise the funding needs and make good use of our limited financial resources available (in particular, the net proceeds from the Global Offering) to first fulfill our contractual obligations for funding specific material costs and upfront expenditure (excluding performance bonds) and for financing the issuance of performance bonds of such projects; and then to facilitate our business expansion by expanding our workforce and acquiring additional machineries and equipment; and finally, to apply for our general corporate purpose and working capital, as further explained below.

Assuming an Offer Price of HK\$1.10 per Offer Share (being the mid-point of the indicative Offer Price range), we estimate that the net proceeds receivable by us from the Global Offering (after deducting underwriting fees and commission and estimated expenses in connection with the Global Offering) will be approximately HK\$60.1 million. With a view to strengthening our financial capabilities to undertake more main contractor and/or large-scale projects, we intend to apply such net proceeds in the following manner:

(a) For funding specific material costs and upfront expenditure (excluding performance bonds) of our certain projects on hand and the Specific Tendered Projects:

Approximately HK\$38.2 million, representing approximately 63.6% of our net proceeds from the Global Offering, will be used for funding part of the specific material costs and the upfront expenditure (excluding performance bonds) of our certain projects on hand and the Specific Tendered Projects that may be secured by us.

Specific material costs

In line with general industry practice, we generally have to incur substantial material costs throughout the entire project implementation period of our E&M projects in accordance with the project requirements, in particular for large-scale projects which require our Group to procure a significant amount of specific materials during the project implementation period. In line with our procurement policy, we generally procure raw materials for an E&M project on a needs basis taking into consideration the project schedule and the master programme of the main contractor or the project owner.

For illustrative purposes, taking into account our Group’s top five projects in terms of contract value during the Track Record Period with a contract value of not less than approximately MOP50.0 million each, our Group recorded breakeven in terms of our cashflow

FUTURE PLANS AND USE OF PROCEEDS

on an average of approximately 4.7 months. As at 30 June 2020, we had 63 projects on hand and the amount of revenue expected to be recognised from these contracts will be approximately MOP289.5 million, MOP83.4 million and MOP15.9 million for the 10 months ending 31 December 2020, the year ending 31 December 2021 and 2022, respectively. Furthermore, we were pending the tender outcome of three Specific Tendered Projects (which our Directors believe our Group has a fairly good chance in obtaining)^(Notes 1 and 2) with a total estimated contract value of approximately MOP28.7 million. Taking into account the relevant requirements of our projects on hand as at 30 June 2020 and the Specific Tendered Projects (if so awarded), our Directors expect that we will be responsible for the procurement of a substantial part of the specific materials required thereunder and will therefore have to incur substantial material costs, which we intend to be partially satisfied by our net proceeds from the Global Offering as we expect that the net cash inflow from our projects at the relevant time are insufficient to enable us to fully meet our payment obligation for such significant amount of specific material costs required even if we are or will be able to record breakeven in terms of our cashflow for such projects at the relevant project preparatory stage. In particular:

- *Project 2 (a LV systems works project for a Chinese mythology inspired luxury hotel in Macau)*

We had commenced preparation work for Project 2 which had an outstanding contract value of approximately MOP59.2 million expected to be recognised as contract revenue for the 10 months ending 31 December 2020, pursuant to which we are responsible for the procurement of LV systems (including but not limited to lighting systems and power outlets). Notwithstanding that our preparation work for Project 2 was commenced in February 2020 and we reached breakeven in terms of our cashflow for Project 2 as at 30 June 2020, taking into account the estimated quantities of the LV systems to be procured by us under the contract and the quotations obtained from our LV systems suppliers and with reference to the project schedule and master programme of our customer, our Directors estimate that a substantial amount of works of Project 2 will be carried out by us in the third quarter of 2020 and the specific material costs to be incurred for Project 2 during the entire project implementation period (in particular, during the third quarter of 2020) would amount to not less than approximately MOP13.0 million (equivalent to approximately HK\$12.6 million), payment of which is expected to fall due no later than the fourth quarter of 2020. Taking into account the substantial amount of specific material costs estimated to be incurred by our Group in the third and fourth quarters of 2020, our Directors expect that our cash inflow from our revenue to be generated from Project 2 at the relevant time will not be sufficient to meet our payment obligations for such specific material costs and intend to fund such costs by applying our net proceeds from the Global Offering;

- *A LV systems works and ELV systems works project for a secondary school located at Avenue Xian Xing Hai, Macau (“**Project A**”)*

Further, during the Track Record Period, we were awarded with Project A with a contract value of approximately MOP42.0 million, which is expected to commence in the third quarter of 2020. Pursuant to the contract, we are responsible for the procurement of LV

FUTURE PLANS AND USE OF PROCEEDS

systems and ELV systems (including but not limited to lighting systems and CCTV systems). Taking into account the estimated quantities of the LV systems and ELV systems to be procured by us under the contract and the quotations obtained from our LV systems and ELV systems suppliers, our Directors estimate that the specific material costs to be incurred for Project A would amount to not less than approximately MOP10.0 million (equivalent to approximately HK\$9.7 million); and

- *An ELV systems works project for a cinematic-themed hotel and casino resort located in Cotai, Macau (“Project B”)*

Subsequent to the Track Record Period and up to 30 June 2020, we have been further awarded with Project B with a contract value of approximately MOP136.9 million, pending the finalisation of contractual documents, which is expected to commence in the third quarter of 2020. Taking into account the estimated quantities of the ELV systems to be procured by us with reference to the quotation submitted by us and the quotations obtained from our ELV systems suppliers, our Directors estimate that the specific material costs to be incurred for Project B would amount to not less than approximately MOP50.0 million (equivalent to approximately HK\$48.5 million).

Upfront expenditure (excluding performance bonds)

With reference to our E&M projects undertaken during the Track Record Period and according to the Industry Report, it is estimated that an average upfront expenditure equivalent to approximately 10.0% of the total contract value of an E&M project would be required at the initial stage of a new project. As we may experience a cash outflow to pay significant upfront expenditure at the initial stage of our E&M projects from time to time which may not align with our cash inflow from the receipt of progress payments from our customers at the relevant periods, we generally have to fund our upfront expenditures by deploying our internal financial resources. Please refer to “Our Business – Our liquidity position” in this prospectus for details of our need to fund our upfront expenditures at the initial stages of our E&M projects.

Taking into account our projects on hand as at 30 June 2020 and the Specific Tendered Projects (if so awarded), our Directors estimate that the aggregate upfront expenditure required for such projects (excluding the specific material costs to be incurred at the initial stage and the labour costs to be incurred in relation to the remuneration of the additional staff to be hired for the three months ending 31 December 2020 by applying our net proceeds from the Global Offering) will be not less than approximately MOP12.6 million (equivalent to approximately HK\$12.2 million). In this connection, our Directors intend to apply our net proceeds from the Global Offering to partially satisfy the upfront expenditures of the following projects:

- *Project A, Project B and an ELV system works project for an integrated resort in Cotai, Macau (“Project C”)*

In addition to Project A which was awarded to us during the Track Record Period with a contract value of approximately MOP42.0 million, we were further awarded with Project B with a contract value of approximately MOP136.9 million and Project C with a contract

FUTURE PLANS AND USE OF PROCEEDS

value of approximately MOP6.8 million subsequent to the Track Record Period and up to 30 June 2020. Project A, Project B and Project C are expected to commence in the third quarter of 2020. Our Directors estimate that the amount of additional upfront expenditure required for Project A, Project B and Project C would amount to not less than approximately MOP2.6 million (equivalent to approximately HK\$2.5 million), approximately MOP6.4 million (equivalent to approximately HK\$6.2 million) and approximately MOP0.7 million (equivalent to HK\$0.7 million, respectively; and

- *Specific Tendered Projects* (Notes 1 and 2)

Furthermore, as at the Latest Practicable Date, we were pending the tender/quotation outcome of three Specific Tendered Projects for which we have submitted tenders/quotations as a main contractor with an aggregate estimated contract value of approximately MOP28.7 million. Our Directors estimate that the amount of upfront expenditure required for the Specific Tendered Projects would amount to not less than approximately MOP2.9 million (equivalent to approximately HK\$2.8 million).

With reference to the specific project requirements and/or the tenders/quotations submitted by our Group, the types of upfront expenditure expected to be incurred for Project A, Project B, Project C and the Specific Tendered Projects include, without limitation, material costs, subcontracting costs and labour costs. Our Directors intend to fund the upfront expenditure of the aforementioned projects of approximately MOP12.6 million (equivalent to approximately HK\$12.2 million) in aggregate solely by applying our net proceeds from the Global Offering.

Notes:

- (1) Based on our Group's track record and in the absence of unforeseeable circumstances, our Directors believe that our Group has a fairly good chance in obtaining the Specific Tendered Projects as (i) our Group has generally maintained amicable business relationships with the project owners and/or the main contractors of the Specific Tendered Projects and has demonstrated the quality and reliability of our works in the previous projects; and (ii) our Group has substantial experience in undertaking and completing similar E&M projects as to the best of the knowledge, information and belief of our Directors, the Specific Tendered Projects encompass the performance of an extensive scope of LV systems works, ELV systems works and/or HVAC systems works at world-class hotels and integrated entertainment resorts where we have previously undertaken and completed projects of similar size and level of complexity. If any of the Specific Tendered Projects cannot be secured by our Group for any unforeseen reasons, our Directors confirm that our Group will use our best endeavours to identify other potential E&M projects of comparable size, duration and complexity to apply our proceeds from the Global Offering.
- (2) In addition, our Group will continue identifying and submitting tender proposals/quotations for potential projects from time to time. Any new projects which may be awarded to our Group from our existing or new customers from time to time will also contribute to additional expenditure for material and upfront costs.

FUTURE PLANS AND USE OF PROCEEDS

(b) For financing the issuance of performance bonds

Approximately HK\$13.3 million, representing approximately 22.1% of our net proceeds from the Global Offering, will be used for financing the issuance of performance bonds for our projects on hand as at 30 June 2020 and when undertaking new projects from time to time.

Subsequent to the Track Record Period and up to 30 June 2020, we have been further awarded with Project B with a contract value of approximately MOP136.9 million, pending the finalisation of contractual documents. To the best of our Directors' knowledge, information and belief, having made all reasonable enquiries and in the course of negotiation and contract finalisation with our customer of Project B, being Customer A, our Directors understand that Project B would require our Group to provide a 10% performance bond at project commencement, which is estimated to be approximately MOP13.7 million (equivalent to approximately HK\$13.3 million) based on the awarded contract value.

Under our existing bank facility with a bank in Macau, we are only allowed to utilise the facility for funding the performance bonds issued for projects undertaken for specific projects owners, including the Macau government, government-related utility companies and integrated entertainment resorts in Macau (“**Designated Project Owner(s)**”). For details, please refer to “Business – Our business strategies – We plan to strengthen our financial position to further develop our capability as main contractor and/or to participate in more large-scale construction projects” in this prospectus. According to the terms and conditions of the facility letter and to the best of our Directors' information, knowledge and belief, Customer A is not considered a Designated Project Owner under the said facility. As such, we will be unable to utilise the facility to fund the issuance of the performance bond required under Project B and plan to utilise part of our proceeds for such performance bond.

In summary, we set forth below the estimated timeline for incurring (i) the specific material costs; and (ii) upfront expenditure (excluding performance bonds); and (iii) for issuing the performance bonds for our certain projects on hand as at 30 June 2020 (i.e. Project 2, Project A, Project B and Project C) and the Specific Tendered Projects, which we intend to be partially funded by our net proceeds from the Global Offering:

	Outstanding/ estimated aggregate contract value	10 months ending 31 December 2020			Year ending 31 December 2021		
		Specific material costs expected to be incurred	Upfront expenditure expected to be incurred	Performance bonds expected to be issued	Specific material costs expected to be incurred	Upfront expenditure expected to be incurred	Performance bonds expected to be issued
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Project 2	57.5 (equivalent to approximately MOP59.2 million)	12.6	-	-	-	-	-

FUTURE PLANS AND USE OF PROCEEDS

	Outstanding/ estimated aggregate contract value	10 months ending 31 December 2020			Year ending 31 December 2021		
		Specific material costs expected to be incurred	Upfront expenditure expected to be incurred	Performance bonds expected to be issued	Specific material costs expected to be incurred	Upfront expenditure expected to be incurred	Performance bonds expected to be issued
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Project A	40.8 (equivalent to approximately MOP42.0 million)	9.7	2.5	–	–	–	–
Project B	132.8 (equivalent to approximately MOP136.9 million)	12.1	6.2	13.3	36.4	–	–
Project C	6.6 (equivalent to approximately MOP6.8 million)	–	0.7	–	–	–	–
Specific Tendered Projects	27.8 (equivalent to approximately MOP28.6 million)	–	2.8	–	–	–	–
Total	265.5 (equivalent to MOP273.5 million)	34.4	12.2	13.3	36.4	–	–
Amount of net proceeds from the Global Offering allocated		17.2	12.2	13.3	8.8	–	–

(c) For expanding our workforce

Approximately HK\$6.6 million, representing approximately 11.0% of our net proceeds from the Global Offering, will be used for expanding our workforce by recruiting additional skilled professionals and labour to accommodate and support our expanding business operations and to ensure that our Group continues to perform at a competitive level. Our Group has adopted a consistent approach towards our workforce expansion plan as our Directors consider that it is imperative for our Group to maintain a sufficient level of workforce to support our Group's anticipated project commitments, and our Group's number of employees increased from 52 as at 31 December 2017 to 71 as at 31 December 2019 through our deployment of internal resources.

FUTURE PLANS AND USE OF PROCEEDS

The following table sets forth a summary of the number of personnel we plan to recruit for the three months ending 31 December 2020 and the year ending 31 December 2021:

Position	Number of staff to be hired		Role	Expected minimum academic qualifications and years of experience	Estimated monthly salary per person	Estimated aggregate remuneration		
	Three months ending 31 December 2020 ^(Note)	Year ending 31 December 2021 ^(Note)				Three months ending 31 December 2020 ^(Note)	Year ending 31 December 2021 ^(Note)	Total
					MOP	MOP'000	MOP'000	MOP'000
Project manager	–	1	To be responsible for the overall management and control of project programme, financial and other resources of the E&M projects to be undertaken by us, and to manage and control the quality of our E&M engineering services works in such projects	A minimum academic qualification of a bachelor's degree; and At least eight years of relevant work experience	70,000	–	910	910
Assistant project manager	–	1	To assist the project manager in the overall management and control of project programme, financial and other resources of the E&M projects to be undertaken by us and in managing and controlling the quality of our E&M engineering services works in such projects	A minimum academic qualification of a bachelor's degree; and At least three years of relevant work experience	40,000	–	520	520
Engineer	–	1	To supervise and monitor the work progress of the E&M projects to be undertaken by us	A minimum academic qualification of a bachelor's degree; and At least five years of relevant work experience	50,000	–	650	650
Assistant engineer	–	1	To assist the engineer in supervising and monitoring the work progress of the E&M projects to be undertaken by us	A minimum academic qualification of a bachelor's degree; and At least three years of relevant work experience	30,000	–	390	390
Safety officer	–	1	To be responsible for the arrangement of execution of our E&M engineering services works of the E&M projects to be undertaken by us	A minimum academic qualification of a bachelor's degree; and At least five years of relevant work experience	40,000	–	520	520

FUTURE PLANS AND USE OF PROCEEDS

Position	Number of staff to be hired		Role	Expected minimum academic qualifications and years of experience	Estimated monthly salary per person	Estimated aggregate remuneration		
	Three months ending 31 December 2020 ^(Note)	Year ending 31 December 2021 ^(Note)				Three months ending 31 December 2020 ^(Note)	Year ending 31 December 2021 ^(Note)	Total
					MOP	MOP'000	MOP'000	MOP'000
Foreman/worker	12	-	To supervises the E&M engineering services works performed on the construction site/to carry out and execute the E&M engineering services works of the E&M projects to be undertaken by us	A minimum academic qualification of a higher diploma degree for foreman; and At least five years of relevant work experience	30,000	1,080	4,680	5,760
					Total	1,080	7,670	8,750

Note: The estimated aggregate remuneration for the three months ending 31 December 2020 and the year ending 31 December 2021 is calculated based on the assumption that no bonus will be distributed to the staff newly hired in 2020 and a bonus equivalent to a month's salary will be distributed to each staff in January 2022 in accordance with our Company's internal remuneration policy.

In order to pursue our Group's priorities to fulfill our contractual obligations under the relevant projects and to facilitate our business expansion, we expect to allocate part of the net proceeds from the Global Offering to cover a substantial portion of the aggregate remuneration of the above proposed additional staff for the three months ending 31 December 2020 and the year ending 31 December 2021 only. We will review our manpower needs from time to time and consider deploying the financial resources to be generated from our anticipated business growth to fund the remuneration of such staff and extend our recruitment plan in terms of the timeframe and scale as and when appropriate.

Taking into account the upcoming business opportunities in the Macau construction industry, including our 63 projects on hand as at 30 June 2020, our Directors are of the view that additional staff will be essential to satisfy our need for skilled professionals and labour for our current operational scale and our business expansion based on the following:

(i) We nearly reached our maximum operational capacity since 2017

Our revenue increased significantly from approximately MOP160.8 million in 2017 to approximately MOP218.3 million and MOP237.7 million in 2018 and 2019, respectively, representing a respective increase of approximately 35.8% and 8.9%. Notwithstanding the significant increase of our Group's business scale in terms of revenue growth, our number of staff remained relatively stable during the Track Record Period. As at 31 December 2019, we had a total of 10 engineers (including one of our Directors and two from our senior management) and 57 foremen/workers (including foreign workers). Our Directors confirm that our workforce was fully utilised on our projects on hand as at 30 June 2020.

FUTURE PLANS AND USE OF PROCEEDS

Owing to the insufficiency of our manpower since 2017, in particular our project managers, engineers, safety officer as well as our foremen/workers, our Group had to rely on subcontractors to complete the works on time, and therefore our subcontracting costs to revenue ratio during the Track Record Period remained relatively high at approximately 52.4%, 48.5%, 48.2% and 55.0%, respectively. Our Directors are of the view that, in the absence of additional manpower, our Group would inevitably have to resort to external subcontracting to fulfil our contractual obligations and reluctantly increase our subcontracting costs which would potentially jeopardise our profit margin at the time of our business expansion.

(ii) Our projects on hand as at 30 June 2020

We had 63 projects on hand as at 30 June 2020. Based on (i) our revenue recognised of approximately MOP48.5 million for the two months ended 29 February 2020; and (ii) our revenue expected to be recognised of approximately MOP289.5 million for the 10 months ending 31 December 2020 from our projects on hand as at 30 June 2020, the revenue expected to be recognised from the aforesaid will be approximately MOP338.0 million for the year ending 31 December 2020, which represents an expected growth of approximately 42.2% compared to our revenue recognised in 2019. In view of our increasing operational scale, our Group is particularly in need of the following types of skilled professionals and labour:

Foremen/workers

Taking into consideration, among other things, (i) the business streams involved (i.e. LV systems works, ELV systems works and/or HVAC systems works); (ii) the scale, complexity and technicality of the works involved; (iii) the actual and/or expected project commencement and completion date; (iv) the estimated project duration and expected project schedule; and (v) the number of staff allocated to similar historical projects, our Directors estimate that the number of foremen/workers required for our projects on hand and the number of foremen/workers from our Group estimated to be allocated to our projects on hand (assuming all of the 12 foremen/workers will be recruited in the fourth quarter of 2020) will be as follows:

Contract type	Commencement date/ Expected commencement date	Expected completion date	Aggregate contract value	Revenue recognised during the Track Record Period	Revenue expected to be recognised after the Track Record Period	Number of foremen/workers ^(Note) estimated to be required	Number of foremen/workers from our Group estimated to be allocated (in the fourth quarter of 2020)	Number of foremen/workers to be recruited (in the fourth quarter of 2020)	Type(s) of works to be performed by our foremen/workers to be recruited (in the fourth quarter of 2020)	
				MOP'000	MOP'000					MOP'000
Project 2	LV systems works	February 2020	December 2020	78,041	18,800	59,241	40	16	4	Final fixing and testing and commissioning of the relevant works

FUTURE PLANS AND USE OF PROCEEDS

	Contract type	Commencement date/ Expected commencement date	Expected completion date	Aggregate contract value	Revenue recognised during the Track Record Period	Revenue expected to be recognised after the Track Record Period	Number of foremen/workers ^(Note) estimated to be required	Number of foremen/workers from our Group estimated to be allocated (in the fourth quarter of 2020)	Number of foremen/workers to be recruited (in the fourth quarter of 2020)	Type(s) of works to be performed by our foremen/workers to be recruited (in the fourth quarter of 2020)
				MOP'000	MOP'000	MOP'000				
Project 4	LV systems works and ELV systems works	March 2019	August 2020	51,575	35,168	16,407	15	–	–	N/A
Project A	LV systems works and ELV systems works	July 2020	December 2020	42,000	–	42,000	30	13	3	Laying of LV systems and ELV systems for concrete casting works
Project B	ELV systems works	July 2020	October 2022	136,938	–	136,938	25	10	5	Pre-lining of networks for ELV systems (including computer, background music and multimedia networks)
Project D	HVAC systems works	April 2020	November 2020	37,663	–	37,663	20	6	–	N/A
Project E	ELV systems works	May 2019	November 2020	31,000	13,467	17,533	15	4	–	N/A
Other	N/A	N/A	N/A	N/A	N/A	216,379	90	20	–	N/A
							Total	235	69	12

Note: The number of foremen/workers estimated to be required include foremen/workers from our Group and our subcontractors.

Based on the table set forth above, it is estimated that a total of 235 foremen/workers (including foremen/workers from our Group and our subcontractors) will be required to perform the site works under our projects on hand as at 30 June 2020. As we only had 57 foremen/workers as at 31 December 2019, we are only able to satisfy approximately 24.3% of the total number of workers/foremen required for these projects. Owing to the insufficiency of our manpower, our Directors expect that we will have to rely on our subcontractors to complete the works under our projects on hand. Since it is in our Group's interests to reduce and further limit our subcontracting level and to perform our works with our own manpower in order to improve the gross margin of our projects at the time of our business expansion, our Directors believe that our existing manpower is not

FUTURE PLANS AND USE OF PROCEEDS

sufficient to support our prospective projects without further need of subcontracting and that additional foremen/workers will be necessary and expedient to cope with our anticipated project commitments and expanding operation scale.

Furthermore, with reference to our historical subcontracting level (in particular, our relatively high subcontracting costs to revenue ratio of approximately 52.4%, 48.5% and 48.2% in 2017, 2018 and 2019, respectively) and taking into account, among other things, (i) the backlog revenue to be generated from our projects on hand as at 30 June 2020; (ii) our potential intake of the Tendered Projects (including the Specific Tendered Projects); and (iii) our business strategy to gradually assume the role of a main contractor and to undertake more large-scale construction project, our Directors estimate that a subcontracting costs to revenue ratio of not more than approximately 45.0% would be necessary for our Group to achieve sustainable growth in terms of our scale of operation while maintaining our overall profitability and, having regard to the additional foremen/workers to be recruited by us for the three months ending 31 December 2020 by applying our net proceeds from the Global Offering, our Directors expect that our subcontracting costs to revenue ratio for the three months ending 31 December 2020 could be maintained below our subcontracting costs to revenue ratio in 2019 at an estimated range of between approximately 45.0% and 48.2%.

Project management staff

Our Group had 10 engineers (including one project manager), who were collectively responsible for the supervision and site management of our 63 projects on hand as at 30 June 2020. In other words, each of our engineers was simultaneously handling approximately 6.3 projects on average. Based on the prudent assessment and industry experience of our Directors and taking into account the size and nature of our projects, our Directors consider that an appropriate level of work to be undertaken by our engineers that would enable them to devote adequate time and attention to each project refers to an average number of not more than eight projects to be handled by each engineer simultaneously. Accordingly, our Directors consider that our engineers were reaching the ceiling of their optimal level of work. Taking into account (i) our historical significant growth in business scale in terms of revenue of approximately 47.8% from approximately MOP160.8 million in 2017 to approximately MOP237.7 million in 2019; (ii) our 63 projects on hand as at 30 June 2020 with a backlog revenue of approximately MOP388.8 million; and (iii) the Specific Tendered Projects with a total estimated contract value of approximately MOP28.7 million, and assuming that no additional staff will be recruited by us, our Directors estimate that the number of projects to be handled by each of our engineers simultaneously in 2021 will be not less than that as at 30 June 2020, which our Directors consider to be beyond their optimal level of work.

Taking into consideration that (i) our project management staff plays an important role in overseeing and monitoring the programme of our E&M projects and supervising the works of our workers and subcontractors at various project sites simultaneously; and (ii) the workload of our project management staff is expected to increase in view of our

FUTURE PLANS AND USE OF PROCEEDS

prospective projects, our Directors are of the view that the recruitment of additional project management staff is imperative to ensure that we have sufficient manpower to maintain the quality and reliability of our works and facilitate our work progress as well as to enhance our capability to undertake additional large-scale projects simultaneously.

(iii) Improving our profitability through reducing level of subcontracting in upcoming opportunities

Our Directors are of the view that hiring additional staff as opposed to subcontracting works would improve our profitability as a result of the reduction in our subcontracting costs which generally leads to a higher gross margin.

Notwithstanding that our LV systems works generally have a relatively higher gross margin amongst our three business streams in our E&M engineering services works, the gross margin of our LV systems works decreased from approximately 33.2% in 2017 to approximately 28.4% and 28.1% in 2018 and 2019, respectively, and further decreased to approximately 27.5% for the two months ended 29 February 2020, which was primarily due to, among others, the substantial use of subcontractors in our certain large-scale LV systems projects owing to the unavailability of our workforce at the relevant time. Taking into account the nature, scope and complexity of Project 2, a LV systems works project for a Chinese mythology inspired luxury hotel in Cotai, Macau which commenced in February 2020, being one of our large-scale LV systems works projects, our Directors believe that if we had sufficient labour resources to perform the LV systems works in Project 2 on our own instead of subcontracting the works, we would likely have been able to reduce our cost of services incurred/to be incurred by no less than approximately MOP3.9 million for this project and further improve our profit margin.

For illustration purposes, we set forth below a hypothetical analysis of our estimated net cost savings, gross profit and gross margin for each of the year/period during the Track Record Period, assuming that the additional personnel we plan to recruit had been deployable by our Group during the Track Record Period:

	Year ended 31 December			Two months ended
	2017	2018	2019	29 February 2020
	MOP'000	MOP'000	MOP'000	MOP'000
Estimated net cost savings ^(Note 1)	2,010	4,295	4,935	940
Estimated gross profit ^(Notes 2 and 3)	45,315	54,373	58,032	12,841
Estimated gross margin ^(Note 4)	28.2%	24.9%	24.4%	26.5%

FUTURE PLANS AND USE OF PROCEEDS

Notes:

- (1) The estimated net cost savings are calculated by deducting from the estimated subcontracting costs that would be reduced the following additional cost items: (i) additional staff costs; (ii) additional depreciation expenses, repair and maintenance costs and insurance costs that would be incurred by us from our proposed acquisition of mobile scissor lift platforms and a mobile generator by utilising our net proceeds from the Global Offering; and (iii) additional costs of materials that would be incurred by us for procuring the materials in relation to the works outsourced to our subcontractors.
- (2) The estimated gross profit is calculated by adding the estimated net cost savings and the gross profit of the respective year/period as set out in the consolidated statements of profit or loss and other comprehensive income of the Accountants' Report as set out in Appendix I to this prospectus.
- (3) During the Track Record Period, our gross profit was approximately MOP43.3 million, MOP50.1 million, MOP53.1 million and MOP11.9 million, respectively.
- (4) During the Track Record Period, our gross margin was approximately 26.9%, 22.9%, 22.3% and 24.5%, respectively.

Taking into account our relatively high subcontracting costs to revenue ratio during the Track Record Period, our Directors are of the view that our subcontracting level has plateaued and that further increasing our subcontracting level would put a strain on our profitability and is not aligned with the sustainability and profitability of our Group's business in the long run. As such, our Directors consider that it would be necessary and strategically justifiable for our Group to expand our workforce, nurture our own skilled professionals and labour and strengthen our manpower in order for our Group to take up more sizeable E&M projects and to further expand the scale of our business in a more controllable manner. To improve our Group's profitability in our upcoming projects and to maintain steady revenue growth, our Directors intend to employ additional staff as opposed to further increasing our level of subcontracting.

(d) For acquiring additional machineries and equipment

Approximately HK\$2.0 million, representing approximately 3.3% of our net proceeds from the Global Offering, will be used for acquiring additional machineries and equipment (including mobile scissor lift platforms and a mobile generator). These machineries and equipment are generally required for completing our E&M engineering services works in most of the projects undertaken by us. Please refer to "Business – Our business strategies – We plan to acquire construction machineries and equipment to facilitate our business expansion plans" in this prospectus for further details.

FUTURE PLANS AND USE OF PROCEEDS

The following table sets forth a comparison of the purchase cost (taking into account the annual depreciation charges over the estimated useful life of five years) and the leasing cost of the specific machineries and equipment to be acquired by our Group:

Type of machineries and equipment	Quantity	Approximate purchase cost per unit <i>HK\$'000</i>	Approximate annual depreciation per unit <i>(Notes 1 and 2)</i> <i>HK\$'000</i> (A)	Approximate annual leasing costs per unit <i>HK\$'000</i> (B)	Approximate annual costs saved per unit <i>HK\$'000</i> (C)=(B)-(A)
1 Mobile scissor lift platforms					
(i) 5.7 metres platform height	2	126.2	25.2	46.6	21.4
(ii) 7.9 metres platform height	2	174.8	35.0	69.9	34.9
(iii) 9.7 metres platform height	2	194.2	38.8	83.9	45.1
(iv) 14.0 metres platform height	2	466.0	93.2	186.4	93.2
2 Mobile generator					
250kVA generator	1	212.0	42.4	N/A ^(Note 3)	N/A

Notes:

- (1) As opposed to lease payments, depreciation charges are non-cash item without any actual cash outflows and hence would not impact our Group's liquidity.
- (2) The estimated useful life of five years is determined according to accounting policies adopted by our Group. Based on our Directors' best knowledge and estimation, the actual useful life of these machineries and equipment will be more than five years. Therefore, the actual amount of cost savings are expected to be larger than the above computed figures.
- (3) As confirmed by our Directors after having made due and careful enquiries, the mobile generator which our Group intends to acquire is not readily available for lease in the market.

As illustrated in the table above, the estimated annual leasing costs for the mobile scissor lift platforms are higher than the estimated annual depreciation charges. As such, our Directors are of the view that acquiring rather than leasing the mobile scissor lift platforms would allow our Group to achieve cost savings and is therefore more economical.

In addition, our Directors have prudently taken into account the following factors when deciding to acquire over leasing the additional machineries and equipment:

- (i) the acquisition of such machineries and equipment can enhance our flexibility and efficiency in the overall planning and deployment of our resources without the need to accommodate the risks associated with relying on leasing machineries and

FUTURE PLANS AND USE OF PROCEEDS

equipment such as low availability and/or rising rental rates as the availability and costs for leasing machineries and equipment depend on market conditions and demand, which fluctuate from time to time;

- (ii) these mobile scissor lift platforms are frequently used in our projects. The costs in relation to such machineries and equipment are incurred either through direct leasing or are charged by our subcontractors as part of their subcontracting costs. We would be able to reduce our subcontracting costs through the acquisition of these machineries and equipment;
- (iii) taking into account the upcoming business opportunities, including the 63 projects on hand as at 30 June 2020 and the Specific Tendered Projects, the acquisition of these machineries and equipment is essential to accommodate the expected increasing usage of such machineries and equipment; and
- (iv) in particular, having our own power generators increases our work flexibility as the power generators can be mobilised to different worksites. The power generators may also serve as a contingent power source in case of adverse weather conditions resulting in a city-wide power outage, similar to that occurred in Macau in August 2017.

As such, our Directors are of the view that it would be feasible and beneficial to us to acquire the above machineries and equipment as opposed to leasing the same in the long run.

If the final Offer Price is set at the highest or lowest point of the indicative Offer Price range, our net proceeds from the Global Offering will increase or decrease by approximately HK\$8.5 million, respectively. Our net proceeds will be used in the same proportions as disclosed above irrespective of whether the Offer Price is determined at the highest or lowest point of the indicative Offer Price range.

If there is any material change to the use of proceeds as disclosed above after the Listing, we will make the appropriate announcement(s) in due course.

To the extent that our net proceeds from the Global Offering are not immediately required for the above purposes or if we are unable to implement any part of our future plans as intended, our Directors intend to place such net proceeds as short-term interest-bearing deposits with authorised financial institutions in Hong Kong or Macau.

We will not receive any of the proceeds from the sale of Sale Shares by the Selling Shareholders in the Global Offering. The Selling Shareholders estimate that they will receive an aggregate net proceeds of approximately HK\$19.9 million from the Global Offering, after deducting the estimated underwriting commissions payable by them in the Global Offering and based on an Offer Price of HK\$1.10 (being the mid-point of the indicative Offer Price range).

FUTURE PLANS AND USE OF PROCEEDS

IMPLEMENTATION PLAN

In relation to the intended application of our net proceeds from the Global Offering described above, the following table sets forth the intended nature, timing and amount of our implementation plan:

(a) *For funding specific material costs and upfront expenditure (excluding performance bonds) of certain projects on hand and the Specific Tendered Projects:*

We intend to apply approximately HK\$38.2 million of our net proceeds from the Global Offering for funding part of the specific material costs and the upfront expenditure (excluding performance bonds) of our certain projects on hand and the Specific Tendered Projects that may be secured by us in the following manner:

	Approximate amount HK\$ million
From the Listing Date to 31 December 2020	
Specific material costs	16.5
Upfront expenditure (excluding performance bonds)	<u>12.9</u>
Total	<u>29.4</u>

	Approximate amount HK\$ million
From 1 January 2021 to 31 December 2021	
Specific material costs	<u>8.8</u>

(b) *For financing the issuance of performance bonds:*

We intend to apply approximately HK\$13.3 million of our net proceeds from the Global Offering for financing the issuance of performance bonds for our projects on hand and when undertaking new projects from time to time in the following manner:

	Approximate amount HK\$ million
From the Listing Date to 31 December 2020	<u>13.3</u>

FUTURE PLANS AND USE OF PROCEEDS

(c) *For expanding our workforce:*

We intend to apply approximately HK\$6.6 million of our net proceeds from the Global Offering for recruiting and paying staff costs of additional 17 staff members in accordance with our recruitment strategy in the following manner:

	Approximate amount HK\$ million
From the Listing Date to 31 December 2020	1.0
From 1 January 2021 to 31 December 2021	5.6
	<hr/>
Total	6.6
	<hr/> <hr/>

(d) *For acquiring additional construction machineries and equipment:*

We intend to apply approximately HK\$2.0 million of our net proceeds from the Global Offering for acquiring additional construction machineries and equipment, including mobile scissor lift platforms and a mobile generator in the following manner:

	Approximate amount HK\$ million
From the Listing Date to 31 December 2020	2.0
	<hr/> <hr/>

REASONS AND BENEFITS FOR THE LISTING

Our Directors consider that we have genuine funding needs and commercial interest to pursue our plan via the Listing to fund part of the specific material costs and upfront expenditure (excluding performance bonds) at project commencement stage, expand our workforce, finance the issuance of performance bonds and acquire additional machineries and equipment (the “**Expansion Plan**”) for the purpose of implementing our business strategies as disclosed in this prospectus based on the following:

(a) *Grasp the market opportunities from the growing Macau construction industry*

According to the Industry Report, the market size of E&M engineering services in Macau is expected to continue growing steadily, with an estimated industry growth from a CAGR of approximately 5.8% during 2014 to 2019 to approximately 6.3% during 2019 to 2024. According to the Industry Report, there are various market opportunities within the Macau construction industry in the near future.

FUTURE PLANS AND USE OF PROCEEDS

As disclosed in “Business – Our business strategies – We plan to strengthen our financial position to further develop our capability as main contractor and/or to participate in more large-scale construction projects” in this prospectus, we plan to expand the scale of our business operations and undertake more large-scale construction projects in Macau. Our Directors believe that our Expansion Plan would enhance our capacity and capability and place us in a better position to capture the up and coming opportunities and secure and undertake more and large-scale E&M projects.

(b) Further cultivate our capability as the main contractor and/or participate in more large-scale construction projects

Further, our Directors believe that to grow our business further and capture a larger market share, we should increasingly undertake the role of main contractor for E&M projects and/or participate in more large-scale construction projects, which would require us to fulfil more stringent requirements and be better equipped in terms of our financial resources, manpower, equipment, capability and experience. According to Frost & Sullivan, large-scale construction projects generally encompass an extensive scope and a cross-discipline mix of E&M engineering services including but not limited to LV systems works, ELV systems works and HVAC systems works, and therefore require the contractors to have a better planning of the project workflow on the operational level. As such, large-scale construction projects would have more stringent requirements in terms of the compatibility of the design and installation of the E&M systems and therefore require a higher level of technical ability of the contractors. Moreover, according to Frost & Sullivan, large-scale construction projects generally require contractors to incur a substantial amount of upfront expenditure which is commensurate with the scale of the projects and would on average be equivalent to approximately 10% of the total contract value of an E&M project at the initial stage of the projects, and thus impose more stringent requirements on contractors in terms of their financial and cashflow capabilities. Our Directors believe that the additional workforce and machineries and equipment assembled under the Expansion Plan will facilitate the implementation of our business strategies.

(c) Address resources constraints for the business expansion

Our Directors are of the view that our existing internal resources are not sufficient to support our future growth under our Expansion Plan.

As at 30 June 2020, we had 63 projects on hand and the amount of revenue expected to be recognised from these projects will be approximately MOP289.5 million, MOP83.4 million and MOP15.9 million for the 10 months ending 31 December 2020 and the years ending 31 December 2021 and 2022, respectively. Further, we had three Specific Tendered Projects with a total estimated contract value of approximately MOP28.7 million.

FUTURE PLANS AND USE OF PROCEEDS

Comparing with our revenue of approximately MOP237.7 million in 2019, our Group has experienced significant business growth in terms of our revenue and our Directors believe that our current level of manpower and resources are inadequate to support our business expansion in a sustainable manner. Accordingly, to sustain our business and pursue further business growth and undertake larger scale/additional projects, we would require additional funding to pursue the Expansion Plan to enhance our capability and capacity.

(d) Maintain cash liquidity for operations

As the construction industry is capital intensive, it is essential for us to maintain a steady and strong level of bank balances and cash to ensure smooth business operations. As at 29 February 2020, we had bank balances and cash of approximately MOP40.9 million and this is expected to decrease further towards the year end. We generally maintain a two months' operation buffer to smoothly run our daily operations and to ensure that we are able to meet our payment obligations from time to time according to our management practice and operational needs. Based on the current business and operation, taking into account (i) a two-month payment buffer to our suppliers in respect of our material costs of approximately MOP8.2 million; (ii) a two-month payment buffer to our subcontractors in respect of our subcontracting costs of approximately MOP20.2 million; and (iii) a two-month payment buffer for our direct labour and other staff costs of approximately MOP3.0 million, our Directors expect our current average working capital needs to be of no less than approximately MOP31.4 million. Without the additional funding from the Listing, our average level of bank balances and cash is only marginally sufficient to cover our current average working capital, and may not be sufficient to finance our Expansion Plan for implementing our business strategies disclosed in this prospectus.

(e) Benefits from the Listing

Our Directors consider that the Listing will provide the following benefits to our Group:

- (i) the Listing will enhance the liquidity of our Shares which will be freely traded in the Stock Exchange when compared to the shares of private companies. It will also broaden our Group's shareholder base and potentially lead to a more liquid market in the trading of our Shares, strengthen our capital base and provide a sustainable fund raising platform for us to raise further capital by issuing equity or debt securities in the future;
- (ii) as stated in "Business – Our business strategies" in this prospectus, we plan to strengthen our financial position to further develop our capability as main contractor and/or to participate in more large-scale construction projects in Macau, further develop our capability as main contractor and/or to participate in more large-scale construction projects, expand our workforce by recruiting

FUTURE PLANS AND USE OF PROCEEDS

additional skilled professionals, labour and supporting staff members and acquire construction machineries and equipment to facilitate our business expansion plans and further raise our brand image. Our net proceeds from the Global Offering will facilitate the implementation of our business strategies and strengthen our cash flow position which in turn will enable us to enhance our operational capacity and empower us to assume the role of main contractor in tendering for more E&M projects and/or undertake more large-scale E&M projects in the future;

- (iii) the Listing will help to elevate the profile of our Group, increase our recognition and raise our visibility within the construction market in general, which would help to generate more business opportunities, as well as provide our customers, subcontractors and our suppliers with greater security when engaging in business with us, as a listed company is subject to stringent regulatory compliance, announcements, financial disclosure and corporate governance. Our Directors believe that the listing status will assist us in bidding for and securing new projects and enhancing our competitiveness over other competitors which are private companies in the Macau construction market;
- (iv) while we may continue to obtain certain amount of banking facilities after Listing alongside with equity financing, our Directors believe that we would be in a better position to negotiate with banks and financial institutions in obtaining credit lines on more favourable terms with a listing status. Our Directors further believe that the use of equity financing would avoid the risk of high interest payment generally associated with debt financing which may expose our Group to increasing financial costs in the future;
- (v) the listing status will help our Group raise staff morale and confidence in our Group, which would improve our ability to attract, recruit, retain and motivate experienced and qualified staff (in particular, key management and technical personnel);
- (vi) the listing status will enable our Group to introduce equity-based incentive schemes involving publicly tradable shares (such as share option schemes) to our staff that provides a more direct correlation between their performance and our business results, and to motivate our staff with corresponding incentives to increase the intrinsic value of our Shares, which is closely aligned with the objective of creating value for our Shareholders; and
- (vii) our Group has adopted, or will adopt a series of internal policies and procedures that are designed to reasonably assure sound corporate governance practice, reliable financial reporting and internal control system following the Listing.

FUTURE PLANS AND USE OF PROCEEDS

In conclusion, the Listing will help enhance our reputation and competitiveness and strengthen our financial and cash flow position, allowing us to explore more business opportunities with enhanced image and enabling us to be in a better position to negotiate and bid for and undertake more and larger scale E&M projects. Our Directors believe that the favourable macro-economic environment and growing trend in the construction industry in Macau in the coming years which will in turn benefit the long term expansion and growth of our Group. Our decision to pursue the Listing is not merely dependent on the state of the economy but our determination to strengthen our competitiveness and financial position, so as to maintain and expand our business operations in Macau. In light of the above, our Directors consider that it is strategically and commercially justifiable and in the interests of our Company and our Shareholders as a whole to pursue the Listing.

UNDERWRITING

HONG KONG UNDERWRITERS

Innovax Securities Limited
Eddid Securities and Futures Limited
Marketsense Securities Limited
TD King Securities Limited

INTERNATIONAL UNDERWRITERS

Innovax Securities Limited
Eddid Securities and Futures Limited
Marketsense Securities Limited
TD King Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Public Offering, our Company is offering the Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price on and subject to the terms and conditions in this prospectus and the Application Forms.

Subject to the Listing Committee of the Stock Exchange granting the approval for the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned herein (including the Shares which may be issued pursuant to the exercise of any option granted under the Share Option Scheme) and such approval not subsequently having been revoked and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed, severally, to subscribe, or procure subscribers for, their respective applicable proportions of the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offering on the terms and subject to the conditions in this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional upon and subject to, among other things, the International Underwriting Agreement having been signed and becoming unconditional (other than any condition for the Hong Kong Underwriting Agreement to become unconditional) and not having been terminated in accordance with its own terms or otherwise, prior to 8:00 a.m. (Hong Kong time) on the Listing Date.

UNDERWRITING

Grounds for termination

The obligations of the Hong Kong Underwriters to subscribe for, or procure subscribers for, the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination by the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) with immediate effect by notice, if at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date:

- (a) there shall develop, occur, exist or come into effect:
 - (i) any new law, statute, ordinance, rule, guidelines, regulation, opinion, notice, circular, order, judgement, decree or ruling of any governmental authority (“**Laws**”) or any change or development involving a prospective change in existing Laws or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority of or affecting the Cayman Islands, the BVI, Hong Kong, Macau, the PRC or any other jurisdiction relevant to any member of our Group (collectively, the “**Relevant Jurisdictions**” and individually, a “**Relevant Jurisdiction**”);
 - (ii) any change or development involving a prospective change in, or any event or series of events resulting or likely to result in any or representing any change or development involving a prospective change in, local, national or international financial, political, military, industrial, legal, economic, exchange control, currency market, fiscal or regulatory or market matters or conditions or any monetary or trading settlement system (including but not limited to conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets) in or affecting any Relevant Jurisdiction;
 - (iii) the imposition or declaration of any moratorium, suspension, restriction or limitation on trading in shares or securities generally on the New York Stock Exchange, the Nasdaq National Market, the Stock Exchange, the SGX-ST, Tokyo Stock Exchange, the London Stock Exchange, the Shenzhen Stock Exchange or the Shanghai Stock Exchange or any minimum or maximum prices for trading having been fixed (save for such minimum or maximum prices which have been fixed prior to the date of the Hong Kong Underwriting Agreement), or maximum ranges for prices having been required (save for such maximum ranges which have been required prior to the date of the Hong Kong Underwriting Agreement), by any of the said exchanges or by such system or by order of any regulatory or governmental authority, or a disruption has occurred in securities settlement, payment or clearance services or procedures in or affecting any Relevant Jurisdiction;
 - (iv) any change or development or event occurs involving a prospective change in taxation or exchange control (or the implementation of any exchange control) or foreign investment regulations in any Relevant Jurisdiction;

UNDERWRITING

- (v) any change or development or event occurs involving a prospective change in the condition, financial or otherwise, or in the earnings, business affairs, business prospects or trading position of any member of our Group, or customer confidence, including but not limited to any action, suit, proceeding, litigation or claim of any third party being threatened or instigated against any member of our Group, or any investigation of any member of our Group or an order for suspension of business by any government department or authority;
- (vi) a materialisation of any of the risks set out in “Risk factors” in this prospectus;
- (vii) any moratorium on or disruption in banking activities or foreign exchange trading or settlement or clearance services in or affecting any Relevant Jurisdiction;
- (viii) any outbreak or escalation of hostilities (whether or not war is or has been declared) or act of terrorism or other state of emergency or calamity or pandemic or wide-spread epidemic or political or social crisis involving directly or indirectly any Relevant Jurisdiction, or the declaration by any Relevant Jurisdiction of a national emergency or war;
- (ix) any event of force majeure or beyond the control of the Hong Kong Underwriters, including without limitation, any act of God, war, riot, public disorder, civil commotion, fire, flood, earthquake, tsunami, volcanic eruption, ice-storm, explosion, outbreak of disease or pandemic or epidemic, acts of government, labour dispute, strike or lock-out involving directly or indirectly any Relevant Jurisdiction;
- (x) any imposition of any economic sanctions, in whatever form, directly or indirectly, on any Relevant Jurisdiction, or against any member of our Group;
- (xi) an executive Director being charged or indicted or prohibited by operation of law or otherwise disqualified from directorship or taking part in the management of a company in circumstances where the operations of our Group will be materially and adversely affected;
- (xii) the chairman or chief executive officer of our Company vacating his office in circumstances where the operations of our Group will be materially adversely affected;
- (xiii) any non-compliance of this prospectus (or any other documents used in connection with the Global Offering) or any aspect of the Global Offering with the Listing Rules, the Articles of Association, the Companies (WUMP) Ordinance, the SFO or any other applicable Laws by any member of our Group, our Controlling Shareholders, or our executive Directors, except in relation to such matters of which waivers and exemptions are sought and disclosed in the Prospectus;

UNDERWRITING

- (xiv) the commencement by any governmental authority of any Relevant Jurisdiction of any investigation, claim, litigation or proceeding, or announcing an intention to investigate or take such action, against any executive Director, any Controlling Shareholder or any member of our Group in circumstances where the operations of our Group will be materially and adversely affected;
- (xv) any litigation, or claim, or investigation, or proceeding, being announced, threatened, or instigated against any member of our Group, any Controlling Shareholder or any executive Director in circumstances where the operations of our Group will be materially and adversely affected; or
- (xvi) any contravention by any member of our Group of the Companies Ordinance, the Companies (WUMP) Ordinance, the Listing Rules or Laws applicable to the Global Offering,
- (xvii) there shall have occurred any event, act or omission which gives or is likely to give rise to any liability of a material nature of any member of our Group or any Controlling Shareholder or any executive Director pursuant to the indemnities referred to in the Hong Kong Underwriting Agreement or the International Underwriting Agreement; or
- (xviii) any valid demand by any creditor for repayment or payment of any indebtedness of our Company or any member of our Group or in respect of which our Company or any member of our Group is liable prior to its stated maturity which demand has or could reasonably be expected to have a material adverse effect on our Group taken as a whole;

which, in each case or in the aggregate, in the sole and absolute opinion of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters):

- (A) is or will be or is likely to be materially adverse to, the business, operations, financial or other condition or prospects of our Company or our Group, taken as a whole, or, to any present shareholder of our Company in his/her/its capacity as such;
- (B) has or will have or is likely to have a material adverse effect on the success of the Hong Kong Public Offering, the International Placing or the Global Offering or the level of Offer Shares being applied for or accepted or the distribution of Offer Shares; or
- (C) makes or will or is likely to make it inadvisable, inexpedient, impracticable or not commercially viable to proceed with or to market the Hong Kong Public Offering, the International Placing or the Global Offering; or

UNDERWRITING

- (b) there has come to the notice of the Sole Global Coordinator:
- (i) any breach of any of the provisions, warranties, representations, obligations or undertakings given by or imposed upon our Company, our Controlling Shareholders or our executive Directors in the Hong Kong Underwriting Agreement and the International Underwriting Agreement which is or will be or is likely to be material in context of the Global Offering;
 - (ii) that any matter has arisen or has been discovered which would or might, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission from the disclosure in this prospectus which is or will be or is likely to be material in context of the Global Offering;
 - (iii) that any statement contained in this prospectus, the Application Forms, the formal notice, other offering documents or any announcements (including any supplement or amendment thereto) considered by the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) in its sole and absolute opinion to be material in the context of the Global Offering was, when it was issued, or has become untrue, incorrect in any material respect or misleading, or that any estimates, forecasts, expressions of opinion, intention or expectation expressed in this prospectus, the Application Forms, the formal notice, other offering documents or any announcements (including any supplement or amendment thereto) considered by the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) in its sole and absolute opinion to be material in the context of the Global Offering is not, in all material respects, fair and honest and based on reasonable assumptions;
 - (iv) that an order is made or a petition is presented for the winding-up or liquidation of our Company or any member of our Group or our Company or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of our Company or any member of our Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of our Company or any member of our Group or anything analogous thereto occurs in respect of our Company or any member of our Group. For the purpose of this paragraph, any member of our Group shall mean any member of our Group where the value of its total assets, profits or revenue represents 5% or more under any of the percentage ratios defined under Rule 14.09 of the Listing Rules;
 - (v) that approval by the Listing Committee of the listing of, and permission to deal in, our Shares (including any additional Shares that may be issued pursuant to the exercise of any option granted pursuant to the Share Option Scheme) to be issued or sold under the Global Offering is refused or not granted on or before the Listing Date, or if granted, the approval is subsequently withdrawn or qualified (other than by customary conditions);

UNDERWRITING

- (vi) that our Company withdraws any of the offer documents issued in connection with the Global Offering (the “**Offer Documents**”) (and/or any other documents used in connection with the contemplated subscription of the Offer Shares) or the Global Offering;
- (vii) that any person (other than the Sole Sponsor and the Hong Kong Underwriters) has withdrawn or sought to withdraw its consent to being named in any of the Offer Documents or to the issue of any of the Offer Documents;
- (viii) other than with the approval of the Sole Global Coordinator (such consent shall not be unreasonably withheld), the issue by our Company of any supplement or amendment to this prospectus (or to any other documents used in connection with the contemplated subscription of our Shares) pursuant to the Companies (WUMP) Ordinance, the Listing Rules, the SFO or any other applicable Laws, or any requirement or request of the Stock Exchange and/or the SFC; or
- (ix) any prohibition on our Company by any governmental authority of any Relevant Jurisdiction for whatever reasons from offering, allotting, issuing or selling our Shares pursuant to the terms of the Global Offering,

then the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) may, and upon giving notice in writing to our Company, terminate the Hong Kong Underwriting Agreement with immediate effect.

Undertakings to the Stock Exchange pursuant to the Listing Rules

Undertakings by our Company

In accordance with Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that, except pursuant to the Capitalisation Issue, the Global Offering and the grant of options or exercise of options to be granted under the Share Option Scheme at any time during the period commencing on the date of this prospectus and ending on the expiry of the 6-month period after the Listing Date, our Company will not, without the prior consent of the Stock Exchange and unless in compliance with the requirements of the Listing Rules, allot or issue or agree to allot or issue any Shares or other securities convertible into equity securities of our Company (including warrants or other convertible securities), whether or not of a class already listed and whether or not such allotment or issue of Shares or securities of our Company will be completed within six months from the Listing Date, except in certain circumstances prescribed by Rule 10.08 of the Listing Rules.

UNDERWRITING

Undertakings by our Controlling Shareholders

In accordance with Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders has irrevocably and unconditionally undertaken to the Stock Exchange and our Company that, except pursuant to the Capitalisation Issue, the Global Offering and the grant of options or exercise of options to be granted under the Share Option Scheme, he/it will not and shall procure that the relevant registered holder(s) of our Shares controlled by him/it shall not:

- (a) in the period commencing on the date of this prospectus and ending on the date which is six months from the Listing Date (the “**First Lock-up Period**”), dispose of, nor enter into any agreement to dispose of, or otherwise create any options, rights, interests or encumbrances (save as pursuant to a pledge or charge as security in favour of an authorised institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan) in respect of, any of the securities of our Company in respect of which he/it is shown by this prospectus to be the beneficial owner; or
- (b) in the period of six months commencing on the date on which the First Lock-up Period expires (the “**Second Lock-up Period**”), dispose of, nor enter into any agreement to dispose of, or otherwise create any options, rights, interests or encumbrances (save as pursuant to a pledge or charge as security in favour of an authorised institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan) in respect of any of the securities mentioned in paragraph (a) above, if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, they would cease to be a group of Controlling Shareholders.

In accordance with Note 3 to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has also irrevocably and unconditionally undertaken to the Stock Exchange and to our Company that within the period commencing on the date of this prospectus and ending on the date which is 12 months from the Listing Date, he/it shall:

- (a) when he/it pledges or charges any Shares or securities of our Company beneficially owned by him/it in favour of an authorised institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform our Company in writing of such pledge or charge together with the number of securities so pledged or charged; and
- (b) when he/it receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares or securities of our Company will be disposed of, immediately inform our Company in writing of such indications.

We will also inform the Stock Exchange as soon as we have been informed of the matters referred in paragraphs (a) and (b) above, if any, by any of our Controlling Shareholders and make a public disclosure in relation to such information by way of an announcement in accordance with the Listing Rules.

UNDERWRITING

Undertakings pursuant to the Hong Kong Underwriting Agreement

Undertakings by our Company

Pursuant to the Hong Kong Underwriting Agreement, our Company has undertaken to, among others, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Joint Lead Managers and the Hong Kong Underwriters that, except pursuant to the Capitalisation Issue, the Global Offering or the grant of options or issue of our Shares upon exercise of such options pursuant to the Share Option Scheme, we will not at any time during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on the date which is six months from the Listing Date (“**First Six-month Period**”) without the prior written consent of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (a) offer, accept subscription for, pledge, charge, allot, issue, sell, lend, mortgage, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, make any short sale, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or repurchase, any of our share capital or other securities convertible into equity securities, or any shares or other securities convertible into equity securities of such other member of our Group, or any interest therein;
- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any of our share capital or other securities convertible into equity securities, or any of the share capital or other securities convertible into equity securities of any other member of our Group, or any interest therein, or any of the rights attaching to any such share capital, including but not limited to rights as to voting, dividend or distribution;
- (c) enter into any of the transactions described in paragraphs (a) or (b) above with the same economic effect; or
- (d) agree or contract to, or publicly announce any intention to enter into any of the transactions described in paragraphs (a) or (b) or (c) above,

in each case, whether any of the foregoing transactions is to be settled by delivery of share capital or such other securities, in cash or otherwise.

UNDERWRITING

Undertakings by our Controlling Shareholders

Pursuant to the Hong Kong Underwriting Agreement, each of our Controlling Shareholders has jointly and severally undertaken to our Company, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Joint Lead Managers and the Hong Kong Underwriters that, except pursuant to the Global Offering or grant of options or issue of our Shares upon exercise of such options pursuant to the Share Option Scheme, without the prior written consent of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) (such consent shall not be unreasonably withheld or delayed) and unless in compliance with the requirements of the Listing Rules:

- (a) at any time during the First Six-month Period, he/it shall not and shall procure that the relevant registered holder(s) and his/its close associates and companies controlled by him/it and any nominee or trustee holding any Shares, share capital or other securities convertible into equity securities of our Company in trust for him/it shall not:
 - (i) (other than any pledge, mortgage or charge of the issued share capital of our Company in favour of an authorised institution as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan) offer, accept subscription for, pledge, mortgage, charge, sell, lend, assign, contract to sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend, make any short sale assign or otherwise transfer or dispose of (nor enter into any agreement to transfer or dispose of or otherwise create any options, rights, interests or encumbrances in respect of), either directly or indirectly, conditionally or unconditionally, cause our Company to repurchase, any of our Shares, share capital or other securities convertible into equity securities of our Company or any interest therein (including, but not limited to any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, or any warrants or other rights to purchase, any such Shares, share capital or other securities convertible into equity securities or any interest therein whether now owned or hereinafter acquired, owned directly by him/it (including holding as a custodian) or with respect to which he/it has a beneficial ownership (collectively the “**Lock-up Securities**”), or any of the rights attaching to any such share capital, including but not limited to rights as to voting, dividend or distributions;
 - (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, directly or indirectly, any of the economic consequences of ownership of any such Lock-up Securities or any interest therein, or any of the rights attaching to any such share capital, including but not limited to rights as to voting, dividend or distributions;

UNDERWRITING

(iii) enter into any transaction with the same economic effect as any transaction described in paragraphs (i) or (ii) above; or

(iv) agree or contract to, or publicly announce any intention to enter into, any transaction described in paragraphs (i) or (ii) or (iii) above,

whether any such transaction described above is to be settled by delivery of the Lock-up Securities, in cash or otherwise;

- (b) at any time in the six-month period commencing from the expiry of the First Six-month Period (“**Second Six-month Period**”), he/it shall not, and shall procure that the relevant registered holder(s) and his/its close associates and companies controlled by him/it and any nominee or trustee holding any Shares, share capital or other securities convertible into equity securities of our Company in trust for him/it shall not enter into any of the foregoing transactions in paragraphs (a)(i) or (a)(ii) or (a)(iii) above or agree or contract to or publicly announce any intention to enter into any such transactions if, immediately following such transfer or disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it will cease to be a controlling shareholder (as defined in the Listing Rules) of our Company;
- (c) until the expiry of the Second Six-month Period, in the event that he/it or the relevant registered holder(s) or his/its close associates or companies controlled by him/it or any nominee or trustee holding any Shares, share capital or other securities convertible into equity securities of our Company in trust for him/it enters into any such transactions or agrees or contracts to, or publicly announces an intention to enter into any such transactions, he/it will take all reasonable steps to ensure that he/it or the relevant registered holder(s) or his/its associates or companies controlled by him/it or any nominee or trustee holding in trust for him/it will not create a disorderly or false market for the securities of our Company;
- (d) from the date of the Hong Kong Underwriting agreement up to and including the expiry of the Second Six-month Period:
- (i) when he/it pledges or charges any Shares, share capital or other securities convertible into equity securities of our Company including but not limited to rights as to voting, dividend or distribution in the securities of our Company, in respect of which he/it is the beneficial owner, immediately inform the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Joint Lead Managers and our Company, if required under the Listing Rules, the Stock Exchange in writing of such pledge or charge and the number of Shares or other securities of our Company, and the nature of interest, so pledged or charged; and

UNDERWRITING

- (ii) if and when he/it receives any indication, either verbal or written, from any pledgee or chargee of Shares or other securities convertible into equity securities of our Company that such Shares or other securities convertible into equity securities of our Company or interests in or rights attaching to the securities of our Company, will be sold, transferred or disposed of, immediately inform us, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner and the Joint Lead Managers and, if required under the Listing Rules, the Stock Exchange of any such indication.

Indemnity

Our Company, our Controlling Shareholders and our executive Directors have agreed to indemnify and keep indemnified on demand (on an after-tax basis) and hold harmless each of the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Joint Lead Managers and the Hong Kong Underwriters and their respective affiliates (for itself and on trust for its respective directors, officers, employees, agents, assignees and affiliates) for certain losses which they may suffer, including losses incurred arising from their proper performance of their obligations under the Hong Kong Underwriting Agreement and any breach of the Hong Kong Underwriting Agreement by us, our Controlling Shareholders or our executive Directors.

The International Placing

In connection with the International Placing, it is expected that our Company, our executive Directors, our Controlling Shareholders and the Selling Shareholders will enter into the International Underwriting Agreement with, among others, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Joint Lead Managers and the International Underwriters.

Under the International Underwriting Agreement, subject to the conditions set out therein, the International Underwriters are expected to severally agree to purchase or procure purchasers for the International Placing Shares initially being offered pursuant to the International Placing. It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors shall be reminded that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed.

Our Company, our Controlling Shareholders and our executive Directors will agree to indemnify the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Joint Lead Managers and the International Underwriters for certain losses which they may suffer, including losses incurred arising from their performance of their obligations under the International Underwriting Agreement and any breach of the International Underwriting Agreement by us, our Controlling Shareholders or our executive Directors.

UNDERWRITING

Underwriting commission and expenses

The Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) will receive an underwriting commission of 17.5% of the aggregate Offer Price of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering (excluding any International Placing Shares reallocated to the Hong Kong Public Offering and any Hong Kong Offer Shares reallocated to the International Placing), out of which the Hong Kong Underwriters will pay all sub-underwriting commission, if any, provided that no commission will be paid twice in respect of any Offer Share. For unsubscribed Hong Kong Offer Shares reallocated to the International Placing, the Sole Global Coordinator (for itself and on behalf of the International Underwriters) will receive an underwriting commission at the rate applicable to the International Placing. It is expected that the International Underwriters will receive an underwriting commission of 17.5% of the aggregate Offer Price in respect of all the International Placing Shares (including any International Placing Shares reallocated to and from the Hong Kong Public Offering), out of which the International Underwriters will pay all sub-underwriting commission, if any, provided that no commission will be paid twice in respect of any Offer Share.

The aggregate commissions and fees, together with the listing fees, SFC transaction levy, the Stock Exchange trading fee, legal and other professional fees and printing and other expenses relating to the Global Offering are estimated to amount to approximately HK\$53.3 million in total (based on the Offer Price of HK\$1.10, being the mid-point of the indicative Offer Price range between HK\$1.00 and HK\$1.20) and will be payable by us, save for the commission relating to the Sale Shares sold by the Selling Shareholders pursuant to the International Placing, together with the SFC transaction levy, the Stock Exchange trading fee and any stamp duty attributable to or arising in connection with the sale and transfer of the Sale Shares which will be borne by the Selling Shareholders.

Sole Sponsor's and Underwriters' interests in our Company

The Underwriters will receive an underwriting commission of 17.5% of the aggregate Offer Price payable for the Offer Shares. Particulars of these commissions and expenses are set out under "Underwriting commissions and expenses" in this section.

Save as disclosed above, none of the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Joint Lead Managers and the Underwriters is legally or beneficially interested in any shares of our subsidiaries or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any of our members in the Global Offering.

Independence of the Sole Sponsor

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

UNDERWRITING

RESTRICTIONS ON THE OFFER SHARES

No action has been taken to permit a public offering of the Offer Shares other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

STRUCTURE OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering which forms part of the Global Offering. Innovax Capital is the Sole Sponsor for the listing of the Shares on the Stock Exchange, is the Sole Global Coordinator and the Sole Bookrunner and Innovax Securities, Eddid Securities, Marketsense Securities and TD King Securities are the Joint Lead Managers of the Global Offering.

The Global Offering initially comprises:

- (a) the Hong Kong Public Offering of 12,500,000 Offer Shares (subject to reallocation on the bases set out in “Hong Kong Public Offering – Reallocation” in this section below) in Hong Kong as described in “Hong Kong Public Offering” in this section below; and
- (b) the International Placing of 112,500,000 Offer Shares (comprising 90,600,000 new Shares and 21,900,000 Sale Shares) (subject to reallocation on the bases set out in “Hong Kong Public Offering – Reallocation” in this section below) outside the United States in reliance on Regulation S.

Investors may either: (a) apply for Offer Shares under the Hong Kong Public Offering; or (b) apply for or indicate an interest, if qualified to do so, for the Offer Shares under the International Placing, but may not do both.

Reasonable steps will be taken to identify and reject: (a) applications in the Hong Kong Public Offering from investors who have applied for; taken up or indicated an interest for Offer Shares under the International Placing; and (b) applications or indications of interest in the International Placing from investors who have applied for Hong Kong Offer Shares under the Hong Kong Public Offering.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The International Placing will involve selective marketing of Offer Shares to professional, institutional and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States, in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

The number of Offer Shares to be offered under the Hong Kong Public Offering and International Placing may be subject to reallocation.

STRUCTURE OF THE GLOBAL OFFERING

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for the Offer Shares pursuant to the Global offering will be conditional on, among other things:

- (a) the Listing Committee granting the approval for the listing of, and permission to deal in, the Shares in issue, the Offer Shares to be issued pursuant to the Global Offering and the Capitalisation Issue and any Shares which may be issued pursuant to the exercise of the options granted under the Share Option Scheme, and such approval not subsequently having been revoked prior to the commencement of dealing in the Shares on the Stock Exchange;
- (b) the Offer Price having been fixed on or around the Price Determination Date;
- (c) the execution and delivery of the Underwriting Agreements in accordance with their respective terms; and
- (d) the obligations of the Underwriters under each of the Hong Kong Underwriting Agreement and the International Underwriting Agreement becoming and remaining unconditional (including, if relevant, as a result of the waiver of any conditions by the Sole Global Coordinator (for itself and on behalf of the Underwriters)) and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless to the extent such conditions are validly waived on or before such dates and times) and in any event no later than the date which is 30 days after the date of this prospectus.

The Offer Shares are being offered at the Offer Price which is expected to be fixed between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholders) on the Price Determination Date, which is expected to be on or around Thursday, 3 September 2020 and in any event not later than Tuesday, 8 September 2020.

If, for any reason, the Offer Price is not agreed between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholders) by Tuesday, 8 September 2020, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Placing is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

STRUCTURE OF THE GLOBAL OFFERING

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. We will publish a notice of the lapse of the Hong Kong Public Offering on the next business day following such lapse on the Stock Exchange's website at **www.hkexnews.hk** and our Company's website at **www.macauem.com**. In the event of such lapse, all application monies will be returned, without interest, on the terms set out in "How to Apply for Hong Kong Offer Shares". In the meantime, all application monies will be held in separate bank account(s) with the receiving bank(s) or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended, supplemented or otherwise modified from time to time).

Share certificates for the Offer Shares are expected to be issued on Thursday, 10 September 2020 but will only become valid certificates of title at 8:00 a.m. on Friday, 11 September 2020 provided that: (a) the Global Offering has become unconditional in all respects; and (b) the right of termination as described in "Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering – Grounds for termination" has not been exercised. Investors who trade Shares prior to the receipt of shares certificates or prior to the share certificates bearing valid certificates of title do so entirely at their own risk.

HONG KONG PUBLIC OFFERING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a several basis under the terms of the Hong Kong Underwriting Agreement and is subject to our Company (for ourselves and on behalf of the Selling Shareholders) and the Sole Global Coordinator (for itself and on behalf of the Underwriters), agreeing on the Offer Price. The Hong Kong Public Offering and the International Placing are subject to the conditions set out in "Conditions of the Global Offering" in this section. The Hong Kong Underwriting Agreement and the International Underwriting Agreement shall be conditional upon each other.

Number of Offer Shares initially offered

Our Company is initially offering 12,500,000 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing 10% of the total number of Offer Shares initially available under the Global Offering (subject to reallocation). Subject to any reallocation of Offer Shares between the Hong Kong Public Offering and the International Placing, the number of Hong Kong Offer Shares will represent 2.5% of our Company's enlarged issued share capital immediately after completion of the Global Offering and the Capitalisation Issue. Completion of the Hong Kong Public Offering is subject to the conditions set out in "Conditions of the Global Offering" in this section above. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to professional, institutional and individual investors.

STRUCTURE OF THE GLOBAL OFFERING

Allocation

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The total number of Shares available under the Hong Kong Public Offering will represent approximately 2.5% of our Company's enlarged issued share capital immediately after completion of the Global Offering and the Capitalisation Issue, and is to be divided into two pools (subject to adjustment of odd lot size) for allocation purposes: pool A and pool B.

The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate subscription price of HK\$5 million (excluding the brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% payable) or less. The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate subscription price of more than HK\$5 million (excluding the brokerage fee of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% payable). Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If the Hong Kong Offer Shares in one (but not both) of the pools are undersubscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this paragraph only, the "price" for Offer Shares means the price payable on application (without regard to the Offer Price as finally determined). Applicants can only apply for Hong Kong Offer Shares from either pool A or pool B but not from both pools and can only receive Hong Kong Offer Shares from either pool A or pool B. Multiple or suspected multiple applications within either pool or between pools and any application for more than 6,250,000 Hong Kong Offer Shares are liable to be rejected.

Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Placing is subject to reallocation. In accordance with Guidance Letter HKEx-GL91-18 issued by the Stock Exchange and paragraph 4.2 of Practice Note 18 of the Listing Rules, the allocation of the Offer Shares shall be subject to reallocation on the following basis:

- (a) Where the International Placing Shares are fully subscribed or oversubscribed and:
 - (i) if the Hong Kong Offer Shares are undersubscribed, the Sole Global Coordinator has the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Placing, in such proportions as the Sole Global Coordinator deems appropriate;

STRUCTURE OF THE GLOBAL OFFERING

- (ii) if the Hong Kong Offer Shares are not undersubscribed but the number of Offer Shares validly applied for under the Hong Kong Public Offering represents less than 15 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then up to 12,500,000 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Placing, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be increased to 25,000,000 Offer Shares, representing 20% of the number of the Offer Shares initially available under the Global Offering;
 - (iii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then 25,000,000 Offer Shares will be reallocated to the Hong Kong Public Offering from the International Placing, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be increased to 37,500,000 Offer Shares, representing 30% of the number of the Offer Shares initially available under the Global Offering;
 - (iv) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then 37,500,000 Offer Shares will be reallocated to the Hong Kong Public Offering from the International Placing, so that the number of the Offer Shares available under the Hong Kong Public Offering will be increased to 50,000,000 Offer Shares, representing 40% of the number of the Offer Shares initially available under the Global Offering; and
 - (v) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then 50,000,000 Offer Shares will be reallocated to the Hong Kong Public Offering from the International Placing, so that the number of the Offer Shares available under the Hong Kong Public Offering will be increased to 62,500,000 Offer Shares, representing 50% of the number of the Offer Shares initially available under the Global Offering.
- (b) Where the International Placing Shares are undersubscribed:
- (i) if the Hong Kong Offer Shares are undersubscribed, the Global Offering will not proceed unless the Underwriters would subscribe or procure subscribers for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Global Offering on the terms and conditions of this prospectus, the Application Forms and the Underwriting Agreements; and

STRUCTURE OF THE GLOBAL OFFERING

- (ii) if the Hong Kong Offer Shares are oversubscribed, irrespective of the number of times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then up to 12,500,000 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Placing, so that the total number of the Offer Share available under the Hong Kong Public Offering will be increased to 25,000,000 Offer Shares, representing 20% of the number of the Offer Shares initially available under the Global Offering.

According to Guidance Letter HKEx-GL91-18 issued by the Stock Exchange, in the event of reallocation of Offer Shares between the Hong Kong Public Offering and the International Placing other than pursuant to Practice Note 18 of the Listing Rules in the circumstances where (1) the International Placing Shares are fully subscribed or oversubscribed and the Hong Kong Offer Shares are oversubscribed by less than 15 times under paragraph (a)(ii) above; or (2) the International Placing Shares are not fully subscribed and the Hong Kong Offer Shares are oversubscribed under paragraph (b)(ii) above, the final Offer Price shall be fixed at the low-end of the indicative Offer Price range (i.e. HK\$1.00 per Offer Share).

In the event of reallocation of Offer Shares from the International Placing to the Hong Kong Public Offering in the circumstances described under paragraphs (a)(ii), (a)(iii), (a)(iv), (a)(v) and (b)(ii) above, the number of Offer Shares allocated to the International Placing will be correspondingly reduced.

Applications

The Sole Global Coordinator (on behalf of the Underwriters) may require any investor who has been offered Shares under the International Placing, and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Sole Global Coordinator so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for Shares under the Hong Kong Public Offering.

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated (including conditionally and/or provisionally) Offer Shares under the International Placing.

The listing of the Offer Shares on the Stock Exchange is sponsored by the Sole Sponsor. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK\$1.20 per Offer Share in addition to any brokerage fee of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% payable on each Offer

STRUCTURE OF THE GLOBAL OFFERING

Share, amounting to a total of HK\$2,424.18 for one board lot of 2,000 Shares. If the Offer Price, as finally determined in the manner described in “Price determination of the Global Offering” in this section below, is less than the maximum price of HK\$1.20 per Share, appropriate refund payments (including the brokerage fee of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% attributable to the surplus application monies) will be made to successful applicants, without interest. Please refer to “How to Apply for Hong Kong Offer Shares” in this prospectus for further details.

References in this prospectus to applications, Application Forms, application or subscription monies or the procedure for application relate solely to the Hong Kong Public Offering.

INTERNATIONAL PLACING

The International Placing is expected to be fully underwritten by the International Underwriters on a several basis. Our Company and the Selling Shareholders expect to enter into the International Underwriting Agreement relating to the International Placing with, among others, the International Underwriters, on the Price Determination Date.

Number of Offer Shares offered

The number of Offer Shares to be initially offered under the International Placing will be 112,500,000 Shares (comprising 90,600,000 new Shares and 21,900,000 Sale Shares), representing 90% of the total number of the Offer Shares initially available under the Global Offering (subject to reallocation). Subject to any reallocation of Offer Shares between the International Placing and the Hong Kong Public Offering, the number of International Placing Shares will represent 22.5% of our Company’s enlarged issued share capital immediately after completion of the Global Offering and the Capitalisation Issue.

The International Placing is subject to the same conditions set out in “Conditions of the Global Offering” in this section above.

Allocation

The International Placing will include selective marketing of Offer Shares to professional, institutional and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary businesses involve dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

The International Placing Shares will be allocated in accordance with the book-building process described in “Price determination of the Global Offering” in this section below, and is based on several factors, including the level and timing of demand, the total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is

STRUCTURE OF THE GLOBAL OFFERING

expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the Listing of the Offer Shares on the Stock Exchange. Such allocation is intended to achieve a distribution of the Shares that would allow for the establishment of a solid professional and institutional shareholder base which will be beneficial to our Company and our Shareholders as a whole.

The Sole Global Coordinator (for itself and on behalf of the Underwriters) may require any investor who has been offered Shares under the International Placing, and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Sole Global Coordinator so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for Shares under the Hong Kong Public Offering.

PRICE DETERMINATION OF THE GLOBAL OFFERING

The Offer Price will be fixed on the Price Determination Date, which is expected to be on or around Thursday, 3 September 2020, and in any event not later than Tuesday, 8 September 2020, by agreement between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholders).

The Offer Price will be not more than HK\$1.20 per Offer Share and is expected to be not less than HK\$1.00 per Offer Share unless otherwise announced, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering.

The Sole Global Coordinator will solicit from prospective investors indications of interest in acquiring the International Placing Shares. Prospective professional, institutional and other investors will be required to specify the number of International Placing Shares they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to the Price Determination Date.

The final Offer Price, the level of indications of interest in the International Placing, the level of applications and the basis of allotment of Shares available under the Hong Kong Public Offering, are expected to be announced on Thursday, 10 September 2020 on the Stock Exchange’s website at www.hkexnews.hk and our Company’s website at www.macauem.com.

PRICE PAYABLE ON APPLICATION

Applicants for Hong Kong Offer Shares under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK\$1.20 for each Hong Kong Offer Share (plus 1% brokerage fee, 0.0027% SFC transaction levy and 0.005% Stock Exchange trading fee). If the Offer Price is less than HK\$1.20, appropriate refund payments (including the brokerage, SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies, without any interest) will be made to successful applicants.

STRUCTURE OF THE GLOBAL OFFERING

If, for any reason our Company (for ourselves and on behalf of the Selling Shareholders) and the Sole Global Coordinator (for itself and on behalf of the Underwriters) are unable to reach agreement on the Offer Price on or before Tuesday, 8 September 2020, the Global Offering will not proceed and will lapse.

REDUCTION OF THE NUMBER OF OFFER SHARES AND/OR THE INDICATIVE OFFER PRICE RANGE

The Sole Global Coordinator (for itself and on behalf of the Underwriters), may, where considered appropriate, based on the level of interest expressed by prospective professional, institutional and other investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares offered in the Global Offering and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering.

In such a case, we will, as soon as practicable and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering following the decision to make such reduction, publish notices of the reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.macaum.com. In addition, we will:

- (a) as soon as practicable following the decision to make such reduction, issue a supplemental prospectus updating investors of the change in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range together with an update of all financial and other information in connection with such change;
- (b) extend the period under which the Hong Kong Public Offering was open for acceptance to allow potential investors sufficient time to consider their subscriptions or reconsider their submitted subscriptions; and
- (c) give potential investors who had applied for the Hong Kong Offer Shares the right to withdraw their applications under the Hong Kong Public Offering. Applicants will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

Upon the issuance of such notices, the number of Offer Shares offered in the Global Offering and/or the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company, will be fixed within such revised Offer Price range. Applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering.

STRUCTURE OF THE GLOBAL OFFERING

Such notices will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of such reduction. In the absence of any such notices so published, the Offer Price, if agreed upon by the Sole Global Coordinator (for itself and on behalf of the Underwriters) with our Company (for ourselves and on behalf of the Selling Shareholders), will under no circumstances be fixed outside the Offer Price range as stated in this prospectus. Applicants under the Hong Kong Public Offering should note that applications cannot be withdrawn once they are submitted, unless the number of Offer Shares and/or the Offer Price is/are reduced.

In the event of a reduction in the number of Offer Shares, the Sole Global Coordinator may, at its discretion, reallocate the number of Offer Shares offered under the Hong Kong Public Offering and the International Placing, provided that the number of Offer Shares available under the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Shares available under the Global Offering. The Offer Shares to be offered in the Hong Kong Public Offering and the Offer Shares to be offered in the International Placing may, in certain circumstances, be reallocated between these offerings at the discretion of the Sole Global Coordinator.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the approval for the listing of and permission to deal in:

- (a) the Shares in issue and to be issued pursuant to the Global Offering and the Capitalisation Issue; and
- (b) the Shares to be issued upon the exercise of options that may be granted under the Share Option Scheme.

No part of the share capital of our Company is listed on or dealt in any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the approval for listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day.

STRUCTURE OF THE GLOBAL OFFERING

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement as such arrangements may affect their rights and interests. All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

DEALINGS

Assuming that the Global Offering becomes unconditional at or before 8:00 a.m. (Hong Kong time) on Friday, 11 September 2020, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. (Hong Kong time) on Friday, 11 September 2020.

The Shares will be traded in board lots of 2,000 Shares each and the stock code of the Shares will be 1408.

HOW TO APPLY FOR HONG KONG OFFER SHARES

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Placing Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** service at **www.hkeipo.hk** or by the **IPO App**; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Sole Global Coordinator, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number; and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Sole Global Coordinator may accept it at its discretion and on any conditions it thinks fit, including evidence of the attorney's authority.

HOW TO APPLY FOR HONG KONG OFFER SHARES

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you:

- are an existing beneficial owner of Shares in our Company and/or any of its subsidiaries;
- are a Director or chief executive officer of our Company and/or any of its subsidiaries;
- are a core connected person (as defined in the Listing Rules) of our Company or will become a core connected person of our Company immediately upon completion of the Global Offering;
- are a close associate (as defined in the Listing Rules) of any of the above; or
- have been allocated or have applied for any International Placing Shares or indicated an interest for any International Placing Shares or otherwise participate in the International Placing.

3. APPLYING FOR HONG KONG OFFER SHARES

Which application channel to use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **HK eIPO White Form** service at www.hkeipo.hk or the **IPO App**.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, 31 August 2020 until 12:00 noon Thursday, 3 September 2020 from:

- (a) any of the following addresses of the Hong Kong Underwriters:

Innovax Securities Limited
Unit A-C, 20/F
Neich Tower

HOW TO APPLY FOR HONG KONG OFFER SHARES

128 Gloucester Road
Wanchai
Hong Kong

Eddid Securities and Futures Limited

23/F, YF Life Tower
33 Lockhart Road
Wanchai
Hong Kong

Marketsense Securities Limited

15 Floor, Siu On Centre
No. 188 Lockhart Road
Wanchai, Hong Kong

TD King Securities Limited

Unit A, 10/F, YHC Tower
No. 1 Sheung Yuet Road
Kowloon Bay
Kowloon, Hong Kong

- (b) any of the following branches of the following receiving bank:

Bank of China (Hong Kong) Limited

<u>District</u>	<u>Branch name</u>	<u>Address</u>
Hong Kong Island	Wan Chai (Wu Chung House) Branch	213 Queen's Road East, Wan Chai, Hong Kong
Kowloon	Mong Kok Branch	589 Nathan Road, Mong Kok, Kowloon
New Territories	Texaco Road Branch	Shop A112, East Asia Gardens, 36 Texaco Road, Tsuen Wan, New Territories

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, 31 August 2020 until 12:00 noon on Thursday, 3 September 2020 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Time for lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "BANK OF CHINA (HONG KONG) NOMINEES LIMITED – MACAU E&M PUBLIC OFFER" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

- Monday, 31 August 2020 – 9:00 a.m. to 4:00 p.m.
- Tuesday, 1 September 2020 – 9:00 a.m. to 4:00 p.m.
- Wednesday, 2 September 2020 – 9:00 a.m. to 4:00 p.m.
- Thursday, 3 September 2020 – 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Thursday, 3 September 2020, the last application day or such later time as described in "10. Effect of bad weather and/or extreme conditions on the opening of the applications lists" in this section below.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully, otherwise, your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form** service, among other things, you:

- (a) undertake to execute all relevant documents and instruct and authorise our Company and/or the Sole Global Coordinator (or its agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (b) agree to comply with the Companies Ordinance, the Companies (WUMP) Ordinance and the Articles of Association;
- (c) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (d) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (e) confirm that you are aware of the restrictions on the Global Offering in this prospectus;
- (f) agree that none of our Company, the Selling Shareholders, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (g) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing nor participated in the International Placing;
- (h) agree to disclose to our Company, our Hong Kong Branch Share Registrar, the receiving bank, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Joint Lead Managers, the Underwriters and/or their respective advisors and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (i) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Selling Shareholders, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Joint Lead Managers, and the Underwriters nor any of their respective officers or advisors will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (j) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (k) agree that your application will be governed by the laws of Hong Kong;
- (l) represent, warrant and undertake that: (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (m) warrant that the information you have provided is true and accurate;
- (n) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (o) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the share certificate(s) and/or refund cheque(s) in person;
- (p) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (q) understand that our Company, the Sole Global Coordinator and the Hong Kong Underwriters will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (r) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and
- (s) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH HK eIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in “2. Who Can Apply” in this section above, may apply through the **HK eIPO White Form** service for the Hong Kong Offer Shares to be allotted and registered in their own names through the designated website at **HK eIPO White Form** or the **IPO App**.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Detailed instructions for application through the **HK eIPO White Form** service are on the designated website or in the **IPO App**. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website or the **IPO App**, you authorise the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

Time for submitting applications under the HK eIPO White Form service

You may submit your application to the **HK eIPO White Form** Service Provider at **www.hkeipo.hk** or in the **IPO App** (24 hours daily, except on the last application day) from 9:00 a.m. on Monday, 31 August 2020 until 11:30 a.m. on Thursday, 3 September 2020 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Thursday, 3 September 2020 or such later time under “10. Effect of bad weather and/or extreme conditions on the opening of the applications lists” in this section below.

No multiple applications

If you apply by means of the **HK eIPO White Form**, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under the **HK eIPO White Form** more than once and obtaining payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (WUMP) Ordinance

For the avoidance of doubt, our Company, the Selling Shareholders and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies (WUMP) Ordinance (as applied by section 342E of the Companies (WUMP) Ordinance).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System at <https://ip.ccass.com> (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
1/F, One & Two Exchange Square 8 Connaught Place
Central, Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a **CCASS Investor Participant**, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Global Coordinator, the Sole Bookrunner, the Joint Lead Managers and our Hong Kong Branch Share Registrar.

Giving electronic application instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (a) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (b) HKSCC Nominees will do the following things on your behalf:
 - (i) agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - (ii) agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
 - (iii) undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (iv) (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
- (v) (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
- (vi) confirm that you understand that our Company, our Directors and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
- (vii) authorise our Company to place HKSCC Nominee's name on our Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- (viii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- (ix) confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- (x) agree that none of our Company, the Selling Shareholders, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- (xi) agree to disclose your personal data to our Company, our Hong Kong Branch Share Registrar, the receiving bank, the Sole Global Coordinator, the Sole Bookrunner, the Joint Lead Managers, the Underwriters and/or its respective advisors and agents;
- (xii) agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- (xiii) agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong

HOW TO APPLY FOR HONG KONG OFFER SHARES

Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under section 40 of the Companies (WUMP) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- (xiv) agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offering results;
- (xv) agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving **electronic application instructions** to apply for Hong Kong Offer Shares;
- (xvi) agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Ordinance, the Companies (WUMP) Ordinance and the Articles of Association; and
- (xvii) agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

Effect of giving electronic application instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum purchase amount and permitted numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 2,000 Hong Kong Offer Shares. Instructions for more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for inputting electronic application instructions^(Note)

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

- Monday, 31 August 2020 – 9:00 a.m. to 8:30 p.m.
- Tuesday, 1 September 2020 – 8:00 a.m. to 8:30 p.m.
- Wednesday, 2 September 2020 – 8:00 a.m. to 8:30 p.m.
- Thursday, 3 September 2020 – 8:00 a.m. to 12:00 noon

Note: These times are subject to change as HKSCC may determine, from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Monday, 31 August 2020 until 12:00 noon on Thursday, 3 September 2020 (24 hours daily, except on Thursday, 3 September 2020, the last application day).

HOW TO APPLY FOR HONG KONG OFFER SHARES

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Thursday, 3 September 2020, the last application day or such later time as described in “10. Effect of bad weather and/or extreme conditions on the opening of the application lists” in this section below.

No multiple applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (WUMP) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies (WUMP) Ordinance (as applied by section 342E of the Companies (WUMP) Ordinance).

Personal data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Branch Share Registrar, the receiving bank, the Sole Global Coordinator, the Sole Bookrunner, the Joint Lead Managers, the Underwriters and any of their respective advisors and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allotted any Hong Kong Offer Shares.

HOW TO APPLY FOR HONG KONG OFFER SHARES

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Thursday, 3 September 2020.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees", you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **HK eIPO White Form** is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

HOW TO APPLY FOR HONG KONG OFFER SHARES

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** service in respect of a minimum of 2,000 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.hkeipo.hk** or in the **IPO App**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details of the Offer Price, see “Structure of the Global Offering – Price determination of the Global Offering” in this prospectus.

10. EFFECT OF BAD WEATHER AND/OR EXTREME CONDITIONS ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above;
- a “black” rainstorm warning; or
- “extreme conditions” caused by a super typhoon

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 3 September 2020. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Thursday, 3 September 2020 or if there is a tropical cyclone warning signal number 8 or above or “extreme conditions” caused by a super typhoon or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in “Expected timetable” in this prospectus, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Placing, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Thursday, 10 September 2020 on the Stock Exchange's website at **www.hkexnews.hk** and our Company's website at **www.macauem.com**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Stock Exchange's website at **www.hkexnews.hk** and our Company's website at **www.macauem.com** no later than 9:00 a.m. on Thursday, 10 September 2020;
- from the designated results of allocations website at **www.tricor.com.hk/ipo/result** or **www.hkeipo.hk/iporesult** or **IPO App** with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Thursday, 10 September 2020 to 12:00 midnight on Wednesday, 16 September 2020;
- by telephone enquiry line by calling 3691 8488 between 9:00 a.m. and 6:00 p.m. from Thursday, 10 September 2020 to Tuesday, 15 September 2020 (excluding Saturday and Sunday);
- in the special allocation results booklets which will be available for inspection during opening hours from Thursday, 10 September 2020 to Monday, 14 September 2020 at all the receiving bank designated branches of the receiving bank.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Please refer to "Structure of the Global Offering" in this prospectus for further details.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

HOW TO APPLY FOR HONG KONG OFFER SHARES

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer shares will not be allotted to you:

If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or through the **HK eIPO White Form** service, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under section 40 of the Companies (WUMP) Ordinance (as applied by section 342E of the Companies (WUMP) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required please confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

If our Company or its agents exercise their discretion to reject your application:

Our Company, the Sole Global Coordinator, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or

HOW TO APPLY FOR HONG KONG OFFER SHARES

- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website or in the **IPO App**;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Sole Global Coordinator believes that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- you apply for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK\$1.20 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering set out in "Structure of the Global Offering – Conditions of the Global Offering" in this prospectus are not fulfilled or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Thursday, 10 September 2020.

HOW TO APPLY FOR HONG KONG OFFER SHARES

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest).

Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or before Thursday, 10 September 2020. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier’s order(s).

Share certificates will only become valid at 8:00 a.m. on Friday, 11 September 2020 provided that the Global Offering has become unconditional and the right of termination described in “Underwriting” in this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Personal collection

If you apply using a WHITE Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from Hong Kong Branch Share Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 10 September 2020, or such other date as notified by us on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.macauem.com.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on or before Thursday, 10 September 2020 by ordinary post and at your own risk.

If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above for collection of your refund cheque(s). If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Thursday, 10 September 2020, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participants stock account as stated in your Application Form on Thursday, 10 September 2020, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS participant (other than a CCASS investor participant)*

For Hong Kong Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS participant.

HOW TO APPLY FOR HONG KONG OFFER SHARES

- *If you are applying as a CCASS investor participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in the paragraph "Publication of Results" in this section above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 10 September 2020 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

If you apply through the HK eIPO White Form service

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from the Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 10 September 2020, or such other date as notified by our Company in the newspapers as the date of despatch/collection of Share certificates/e-Auto Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Thursday, 10 September 2020 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

If you apply via electronic application instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Deposit of share certificates into CCASS and refund of application monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, 10 September 2020 or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "11. Publication of Results" in this section above on Thursday, 10 September 2020. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 10 September 2020 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, 10 September 2020. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, 10 September 2020.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement as such arrangements may affect their rights and interests. All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report received from our reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

Deloitte.**德勤****ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF MACAU E&M HOLDING LIMITED AND INNOVAX CAPITAL LIMITED****Introduction**

We report on the historical financial information of Macau E&M Holding Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-55, which comprises the consolidated statements of financial position of the Group at 31 December 2017, 2018 and 2019 and 29 February 2020, the statements of financial position of the Company as at 31 December 2017, 2018 and 2019 and 29 February 2020, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the three years ended 31 December 2019 and the two months ended 29 February 2020 (the "Relevant Periods") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-55 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 31 August 2020 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that give a true and fair view in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that give a true and fair view in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information give, for the purposes of the accountants' report, a true and fair view of the Group's financial position at 31 December 2017, 2018 and 2019 and 29 February 2020, of the Company's financial position at 31 December 2017, 2018 and 2019 and 29 February 2020 and of the Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the two months ended 28 February 2019 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance***Adjustments***

In preparation of the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to note 12 to the Historical Financial Information which contains information about the dividends declared or paid by the Company and the group entities in respect of the Relevant Periods.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

31 August 2020

HISTORICAL FINANCIAL INFORMATION OF THE GROUP**Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which form an integral part of this accountants' report.

The consolidated financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with International Financial Reporting Standards ("IFRSs") issued by International Accounting Standards Board ("IASB") and were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

The currency of the primary economic environment in which the group entities operate is Macanese Patacas ("MOP"). The Historical Financial Information is also presented in MOP and all values are rounded to the nearest thousand (MOP'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December			Two months ended 28 February 2019	Two months ended 29 February 2020
	Notes	2017	2018	2019	2019	2020
		MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
					(unaudited)	
Revenue	6	160,752	218,254	237,680	44,967	48,513
Cost of services		<u>(117,447)</u>	<u>(168,176)</u>	<u>(184,583)</u>	<u>(33,721)</u>	<u>(36,612)</u>
Gross profit		43,305	50,078	53,097	11,246	11,901
Other income	7	–	14	11	–	3
Impairment loss under expected credit loss model, net of reversal	30b	–	(135)	(183)	55	(45)
Administrative expenses		<u>(4,083)</u>	<u>(7,899)</u>	<u>(6,863)</u>	<u>(1,785)</u>	<u>(1,653)</u>
Finance costs	8	<u>(95)</u>	<u>(87)</u>	<u>(68)</u>	<u>(10)</u>	<u>(11)</u>
Listing expenses		<u>(4,649)</u>	<u>(9,576)</u>	<u>–</u>	<u>–</u>	<u>(944)</u>
Profit before tax		34,478	32,395	45,994	9,506	9,251
Income tax expense	11	<u>(4,628)</u>	<u>(4,965)</u>	<u>(5,456)</u>	<u>(1,077)</u>	<u>(1,152)</u>
Profit and total comprehensive income for the year/period	9	<u>29,850</u>	<u>27,430</u>	<u>40,538</u>	<u>8,429</u>	<u>8,099</u>
Basic earnings per share (MOP cents)	13	<u>7.52</u>	<u>6.91</u>	<u>10.21</u>	<u>2.12</u>	<u>2.04</u>

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		At 31 December			At
	Notes	2017	2018	2019	29 February
		MOP'000	MOP'000	MOP'000	2020
					MOP'000
Non-current assets					
Property, plant and equipment	14	1,034	1,107	741	690
Right-of-use assets	15	1,471	1,178	1,249	1,095
		<u>2,505</u>	<u>2,285</u>	<u>1,990</u>	<u>1,785</u>
Current assets					
Contract assets	16	7,370	24,655	76,915	96,015
Debtors, deposits and prepayments	17	53,546	65,566	50,820	37,154
Amount due from a related company	18	12	–	–	–
Amounts due from shareholders	19	5,752	–	–	–
Pledged bank deposits	20	2,685	2,699	2,710	2,713
Bank balances and cash	20	8,593	18,731	34,038	40,900
		<u>77,958</u>	<u>111,651</u>	<u>164,483</u>	<u>176,782</u>
Current liabilities					
Contract liabilities	21	15,112	21,976	30,651	22,707
Creditors and accrued charges	22	6,056	15,223	17,557	28,507
Lease liabilities	23	736	768	638	561
Tax liabilities		13,223	13,556	14,532	15,684
		<u>35,127</u>	<u>51,523</u>	<u>63,378</u>	<u>67,459</u>
Net current assets		<u>42,831</u>	<u>60,128</u>	<u>101,105</u>	<u>109,323</u>
Non-current liability					
Lease liabilities	23	873	520	664	578
Net assets		<u>44,463</u>	<u>61,893</u>	<u>102,431</u>	<u>110,530</u>
Capital and reserves					
Share capital	24	–*	–*	–*	–*
Reserves		<u>44,463</u>	<u>61,893</u>	<u>102,431</u>	<u>110,530</u>
Total equity		<u>44,463</u>	<u>61,893</u>	<u>102,431</u>	<u>110,530</u>

* less than MOP1,000

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

		At 31 December			At
	Notes	2017	2018	2019	29 February
		MOP'000	MOP'000	MOP'000	2020
					MOP'000
Non-current asset					
Investment in a subsidiary	27	35,569	35,569	35,569	35,569
Current assets					
Prepayments and deferred share issue costs	17	1,564	3,320	3,320	3,652
Bank balances and cash	20	–	1	1	5
		1,564	3,321	3,321	3,657
Current liabilities					
Accrued charges	22	3,058	740	60	1,229
Amount due to a subsidiary	27	6,212	2,861	3,622	4,665
		9,270	3,601	3,682	5,894
Net current liabilities		(7,706)	(280)	(361)	(2,237)
Net assets		27,863	35,289	35,208	33,332
Capital and reserves					
Share capital	24	–*	–*	–*	–*
Reserves	25	27,863	35,289	35,208	33,332
Total equity		27,863	35,289	35,208	33,332

* less than MOP1,000

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital MOP'000	Share premium MOP'000	Legal reserves MOP'000 (Note 1)	Other reserves MOP'000 (Note 2)	Retained earnings MOP'000	Total MOP'000
At 1 January 2017	60	–	30	–	27,123	27,213
Profit and total comprehensive income recognised for the year	–	–	–	–	29,850	29,850
Shares issued at date of incorporation (note 24)	–*	–	–	–	–	–*
Shares issued upon reorganisation and effect of reorganisation (notes 2 and 24)	(60)	35,569	–	(35,509)	–	–
Dividend paid (note 12)	–	–	–	–	(12,600)	(12,600)
At 31 December 2017	–*	35,569	30	(35,509)	44,373	44,463
Profit and total comprehensive income recognised for the year	–	–	–	–	27,430	27,430
Dividend paid (note 12)	–	–	–	–	(10,000)	(10,000)
At 31 December 2018	–*	35,569	30	(35,509)	61,803	61,893
Profit and total comprehensive income recognised for the year	–	–	–	–	40,538	40,538
At 31 December 2019	–*	35,569	30	(35,509)	102,341	102,431
Profit and total comprehensive income recognised for the period	–	–	–	–	8,099	8,099
At 29 February 2020	–*	35,569	30	(35,509)	110,440	110,530
At 1 January 2019	–*	35,569	30	(35,509)	61,803	61,893
Profit and total comprehensive income recognised for the period	–	–	–	–	8,429	8,429
At 28 February 2019 (unaudited)	–*	35,569	30	(35,509)	70,232	70,322

Note 1: In accordance with provision of the Macau Commercial Code, the subsidiary incorporated in Macau Special Administrative Region ("Macau") is 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 2: 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 Limited ("Kento") and the consideration satisfied by the way of issue of shares by the Company for acquisition of Kento by Macau E&M Company Limited, pursuant to the Reorganisation (as defined and detailed in note 2 to the Historical Financial Information).

* less than MOP1,000

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December			Two months ended 28 February 2019	Two months ended 29 February 2020
	2017	2018	2019	2019	2020
	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
				(unaudited)	
OPERATING ACTIVITIES					
Profit before tax	34,478	32,395	45,994	9,506	9,251
Adjustments for:					
Finance costs	95	87	68	10	11
Depreciation of					
– property, plant and equipment	289	376	376	77	51
– right-of-use assets	667	805	875	133	154
Impairment loss under expected credit loss model, net of reversal	–	135	183	(55)	45
Bank interest income	–	(14)	(11)	–	(3)
Operating cash flows before movements in working capital	35,529	33,784	47,485	9,671	9,509
(Increase) decrease in debtors, deposits and prepayments	(41,642)	(9,536)	14,834	37,537	13,805
Decrease (increase) in contract assets	7,313	(17,316)	(52,389)	(13,491)	(19,193)
Increase (decrease) in creditors and accrued charges	965	9,167	2,334	(11,379)	10,950
Increase (decrease) in contract liabilities	13,110	6,864	8,675	6,271	(7,944)
(Decrease) increase in amount due to a related company	(30)	12	–	–	–
Net cash generated from operations	15,245	22,975	20,939	28,609	7,127
Income tax paid	–	(4,632)	(4,480)	–	–
NET CASH FROM OPERATING ACTIVITIES	15,245	18,343	16,459	28,609	7,127

APPENDIX I**ACCOUNTANTS' REPORT**

	Year ended 31 December			Two months ended 28 February	Two months ended 29 February
	2017	2018	2019	2019	2020
	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
				(unaudited)	
INVESTING ACTIVITIES					
Interest received	–	14	11	–	3
Purchase of property, plant and equipment	(122)	(449)	(10)	–	–
Repayments from shareholders	–	5,752	–	–	–
Placement of pledged bank deposits	(2,685)	(14)	(11)	–	(3)
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(2,807)	5,303	(10)	–	–
FINANCING ACTIVITIES					
Interest paid	(95)	(87)	(68)	(10)	(11)
Repayment of lease liabilities	(631)	(833)	(932)	(147)	(163)
Share issue costs paid	(590)	(2,588)	(142)	–	(91)
Dividend paid	(12,600)	(10,000)	–	–	–
NET CASH USED IN FINANCING ACTIVITIES	(13,916)	(13,508)	(1,142)	(157)	(265)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,478)	10,138	15,307	28,452	6,862
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD	10,071	8,593	18,731	18,731	34,038
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD					
Represented by bank balances and cash	8,593	18,731	34,038	47,183	40,900

NOTES TO THE HISTORICAL FINANCIAL INFORMATION**1. GENERAL**

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 Est. Marginal do Hipódromo, 56-68, Edf. Ind. Lee Cheung, 13/D, Macau.

The Company is an investment holding company. The Company's subsidiaries are principally engaged in the provision of electrical and mechanical engineering services.

The Historical Financial Information is presented in MOP, which is the same as the functional currency of the Company.

2. BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared based on the accounting policies set out in note 4 which conform with IFRSs issued by the IASB and the conventions applicable for group reorganisation (details are set out below).

For the period from 1 January 2017 until completion of the reorganisation (the "Reorganisation"), the main operating activities including electrical and mechanical engineering services were carried out by Kento which is under the control of Mr. Cheong Ka Wo ("Mr. Cheong") and Mr. Leong Kam Leng ("Mr. Leong") (collectively referred to as the "Controlling shareholders"). Mr. Cheong and Mr. Leong have 50% and 50%, respectively, beneficial interest in Kento.

In preparation for the listing of the Company's shares on the Stock Exchange, the Group underwent the Reorganisation, comprised the following steps:

- (i) Macau E&M Group Limited ("E&M Group") was incorporated in the British Virgin Islands on 19 October 2017 and the authorised share capital of E&M Group was 50,000 ordinary shares with a par value of HK\$1.00 each. Upon incorporation, 100 shares were allotted and issued to Mr. Cheong. Upon completion of such issue and allotment, E&M Group became wholly-owned by Mr. Cheong.

Macau E&M Assets Limited ("E&M Assets") was incorporated in the British Virgin Islands on 19 October 2017 and the authorised share capital of E&M Assets was 50,000 ordinary shares with a par value of HK\$1.00 each. Upon incorporation, 100 shares were allotted and issued to Mr. Leong. Upon completion of such issue and allotment, E&M Assets became wholly-owned by Mr. Leong.

- (ii) The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 24 October 2017 to act as the holding company of the Group for the listing on the Stock Exchange. The initial authorised share capital of the Company was HK\$380,000 divided into 38,000,000 ordinary shares with a par value of HK\$0.01 each (the "Shares"). Upon incorporation, one Share was transferred from the initial subscriber, who is an Independent Third Party, to E&M Group at par. On the same day, 99 Shares were subscribed by E&M Group at par and 100 Shares were subscribed by E&M Assets. Following the above share allotment and transfer, the Company was owned as to 50% by E&M Group and as to 50% by E&M Assets.
- (iii) Macau E&M Company Limited ("Macau E&M") was incorporated in the British Virgin Islands as a limited liability company on 30 October 2017 and the authorised share capital of Macau E&M was 50,000 ordinary shares with a par value of HK\$1.00 each. Upon incorporation, one fully paid share was allotted and issued to the Company at par.

- (iv) On 4 December 2017, Macau E&M acquired 50% of the issued share capital of Kento from each of Mr. Cheong and Mr. Leong for an aggregate consideration of MOP60,000, which was determined with reference to the registered capital of Kento as at the date of the transfers. The consideration for the above transfers was settled by the Company allotting and issuing 400 Shares and 400 Shares to E&M Group and E&M Assets, respectively, on the same day. Upon completion of such transfers, Kento became an indirect wholly-owned subsidiary of the Company.
- (v) On 1 March 2018, E&M Assets entered into a pre-IPO agreement with each of One Wesco Inc. (the "One Wesco") and Bridge Capital Limited (the "Bridge Capital", together with the One Wesco, the "Pre-IPO Investors"), pursuant to which E&M Assets agreed to sell (a) 230 Shares to One Wesco at a consideration of HK\$6,210,000; and (b) 140 Shares to Bridge Capital Limited at a consideration of HK\$3,780,000 (the "Pre-IPO Investments").

The Company became the holding company of the companies now comprising the Group on 4 December 2017. Since the Controlling Shareholders controls all the companies now comprising the Group during the Relevant Periods and before and after the Reorganisation, the Group comprising the Company and its subsidiaries is regarded as a continuing entity. The Historical Financial Information has been prepared using carrying amounts of assets and liabilities of the Company and its subsidiaries as if the Company has always been the holding company of the Group throughout the Relevant Periods.

The consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and consolidated statements of cash flows for the year ended 31 December 2017 which include the results, changes in equity and cash flows of the entities comprising the Group have been prepared as if the group structure upon completion of the Reorganisation had been in existence throughout the relevant year, or since their respective dates of establishment where there is shorter period.

No statutory financial statements of the Company have been prepared since its incorporation as it was incorporated in a jurisdiction where there is no statutory audit requirement.

3. APPLICATION OF NEW AND AMENDMENTS TO IFRSs

New and amendments to IFRSs that are mandatory effective for the Relevant Periods

For the purpose of preparing and presenting the Historical Financial Information for the Relevant Periods, the Group has consistently applied the accounting policies which conform with IFRSs including IFRS 15 *Revenue from Contracts with Customers* and IFRS 16 *Leases*, which are effective for the accounting period beginning on the first day of the last financial period reported on throughout the Relevant Periods, except that the Group adopted IFRS 9 *Financial Instruments* on 1 January 2018 and adopted IAS 39 *Financial Instruments: Recognition and Measurement* for the year ended 31 December 2017. The accounting policies for financial instruments under IFRS 9 are set out in note 4 below.

IFRS 9 *Financial Instruments*

The table below illustrates the classification and measurement of financial assets and financial liabilities under IFRS 9 and IAS 39 at the date of initial application, 1 January 2018.

		Original measurement category under IAS 39	New measurement category under IFRS 9	Original carrying amount under IAS 39 MOP'000	New carrying amount under IFRS 9 MOP'000
1.	Trade and other receivables and deposits (note 17)	Loans and receivables	Financial assets at amortised cost	51,969	51,969

		Original measurement category under IAS 39	New measurement category under IFRS 9	Original carrying amount under IAS 39 <i>MOP'000</i>	New carrying amount under IFRS 9 <i>MOP'000</i>
2.	Amount due from a related company (note 18)	Loans and receivables	Financial assets at amortised cost	12	12
3.	Amounts due from shareholders (note 19)	Loans and receivables	Financial assets at amortised cost	5,752	5,752
4.	Bank balances and cash and pledged bank deposits (note 20)	Loans and receivables	Financial assets at amortised cost	11,278	11,278
				<u>69,417</u>	<u>69,417</u>
5.	Trade and other payables (note 22)	Financial liabilities at amortised cost	Financial liabilities at amortised cost	104	104
6.	Accrued listing expenses and share issue costs (note 22)	Financial liabilities at amortised cost	Financial liabilities at amortised cost	3,058	3,058
				<u>3,162</u>	<u>3,162</u>

Impairment of financial assets under expected credit losses (“ECL”) model

Upon the initial adoption of IFRS 9 on 1 January 2018, the directors of the Company reviewed and assessed the Group’s existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of IFRS 9.

The Group has applied the IFRS 9 simplified approach to measure ECL which uses a lifetime ECL for its contract assets and trade receivables. Contract assets and trade receivables have been assessed based on provision matrix. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore estimated the expected loss rates for the trade receivables and the contract assets on the same basis. Details are set out in notes 16 and 17 respectively.

Loss allowances for other financial assets at amortised cost mainly comprise of deposits, amount due from a related company, amounts due from shareholders, pledged bank deposits and bank balances, are measured on 12-month ECL (“12m ECL”) basis as there had been no significant increase in credit risk since initial recognition. Details are set out in note 30b.

As of 1 January 2018, the expected loss allowance as compared to the incurred loss model of IAS 39 did not result in a material difference and hence did not result in an adjustment of opening retained earnings.

New and amendments to IFRSs in issue but not yet effective

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

IFRS 17	Insurance Contracts and the related Amendments ¹
Amendment to IFRS 16	COVID-19-Related Rent Concessions ²
Amendments to IFRS 3	Reference to the Conceptual Framework ⁴
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to IAS 1	Classification of Liabilities as Current or Non-current ¹
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use ⁴
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract ⁴
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018-2020 ⁴

¹ Effective for annual periods beginning on or after 1 January 2023

² Effective for annual periods beginning on or after 1 June 2020

³ Effective for annual periods beginning on or after a date to be determined

⁴ Effective for annual periods beginning on or after 1 January 2022

The directors of the Company anticipate that the application of all the new and amendments to IFRSs will have no material impact on the Historical Financial Information in the foreseeable future.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared in accordance with the accounting policies which conform with IFRSs issued by the IASB. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis at the end of each reporting period as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Historical Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, lease transactions that are accounted for in accordance with IFRS 16 and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The Historical Financial Information incorporates the financial statements of the Company and the entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains controls until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Investment in a subsidiary

Investment in a subsidiary is included in the Company's statements of financial position at cost less any identified impairment loss.

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Specifically, revenue is recognised as follows:

(i) Revenue from construction contracts

Revenue from construction contracts is recognised over time during the course of construction by reference to the progress towards complete satisfaction at the end of each reporting period. Progress towards complete satisfaction is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation (i.e. contract costs incurred for work performed to date) relative to the total expected inputs to the satisfaction of that performance obligation (i.e. total estimated contract cost), that best depict the Group's performance in transferring control of goods or services.

For construction contracts that contain variable consideration such as variations in contract work, claims and incentive payment, the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled. The estimated amount of variable consideration is included in the construction contract only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

(ii) Provision of services

Maintenance and repair services are provided as a fixed-price contract, with contract terms generally ranging from less than one year to three years. Revenue from fixed price contracts for delivering maintenance and repair services is recognised over time, when the customers simultaneously receive and consume the benefits from the Group's performance. Such services are recognised using a straight-line basis over the term of the contract.

As a practical expedient, if the Group has a right to consideration in an amount that corresponds directly with the value of the Group's performance completed to date, the Group recognises revenue in the amount to which the Group has the right to invoice.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

*The Group as a lessee**Allocation of consideration to components of a contract*

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the Historical Financial Information would not differ materially from individual leases within the portfolio.

Short-term leases

The Group applies the short-term lease recognition exemption to leases of car parks that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statements of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group presents lease liabilities as a separate line item on the consolidated statements of financial position.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Retirement benefits costs

Payments to the defined contribution retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from “profit before tax” as reported in the consolidated statements of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 *Income Taxes* requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a settlement date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Before adoption of IFRS 9 on 1 January 2018

Financial assets

Financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including debtors and deposits, amounts due from shareholders, amount due from a related company, pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Interest income from a financial asset is accrued on a time basis using the effective interest method, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of loans and receivables, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The amount of impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all loans and receivables with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity instruments in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

Financial liabilities (including trade and other payables and amount due to a subsidiary) are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial assets and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

*Application of IFRS 9 since 1 January 2018****Financial assets****Classification and subsequent measurement of financial assets*

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

Impairment of financial assets and contract assets

The Group performs impairment assessment under ECL model on financial assets (including deposits, trade receivables, amounts due from a related company and shareholders, pledged bank deposit, and bank balances) and contract assets which are subject to impairment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables and contract assets. The ECL on these assets are assessed collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date.

A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;

- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- (e) the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the end of each reporting period. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments;
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables and contract assets where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity***Classification as debt or equity***

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

Financial liabilities (including trade and other payable and amount due to a subsidiary) are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment on property, plant and equipment and right-of-use assets

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of property and equipment and right-of-use assets are estimated individually, when it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In addition, corporate assets are allocated to individual cash generating units when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, the recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised as gains immediately.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the management of the Group is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the Historical Financial Information.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months.

Construction contracts in respect of electrical and mechanical engineering works

The Group reviews and revises the estimated total costs to complete the satisfaction of these services and the margin of each project as the contract progresses. Budgeted costs and margin are prepared by the management of the Group on the basis of quotations from time to time provided by the subcontractors, suppliers or vendors involved and the experience of the management of the Group. In order to keep the budget accurate and up-to-date, the management of the Group conducts periodic reviews of the budgets of contracts by comparing the budgeted amounts to the actual amounts incurred. Such significant estimate may have impact on the profit recognised in each period.

Recognised amounts of revenue from electrical and mechanical engineering contracts and related receivables reflect the management's best estimate of each contract's outcome and stage of completion, which are determined on the basis of a number of estimates. This includes the assessment of the profitability of on-going electrical and mechanical engineering contracts. For more complex contracts in particular, costs to complete and contract profitability are subject to significant estimation uncertainty, the actual outcomes in terms of total cost may be higher or lower than estimated at the end of each reporting period, which would affect the revenue and profit recognised in future years and adjustment to the amounts recorded to date.

Estimated impairment of trade receivables and contract assets

Before adoption of IFRS 9, management of the Group estimates the recoverability of trade receivables and contract assets based on objective evidence. When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured at the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise.

Upon application of IFRS 9, the Group uses provision matrix to calculate ECL for the contract assets and trade receivables. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At each end of the reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL, trade receivables and contract assets are disclosed in notes 16, 17 and 30b respectively.

As at 31 December 2017, 2018 and 2019 and 29 February 2020, the carrying amounts of trade receivables (net of allowance for credit losses) of the Group were approximately MOP50,529,000, MOP56,123,000, MOP40,991,000 and MOP26,914,000, respectively (note 17). As at 31 December 2017, 2018 and 2019 and 29 February 2020, the carrying amounts of contract assets (net of allowance for credit losses) of the Group were approximately MOP7,370,000, MOP24,655,000, MOP76,915,000 and MOP96,015,000, respectively (note 16).

6. 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 ("CODM"), and the directors of the operating subsidiary, review the overall results and financial position of the Group as a whole prepared based on same accounting policies set out in note 4. 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.

(i) Disaggregation of revenue from contracts with customers

	Year ended 31 December			Two months ended	Two months ended
	2017	2018	2019	28 February 2019	29 February 2020
	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
				(unaudited)	
Revenue from construction contracts					
Electrical and mechanical engineering works	159,178	216,160	232,755	44,542	48,057
Provision of services					
Maintenance and repair services	1,574	2,094	4,925	425	456
	<u>160,752</u>	<u>218,254</u>	<u>237,680</u>	<u>44,967</u>	<u>48,513</u>
Timing of revenue recognition					
Over time	<u>160,752</u>	<u>218,254</u>	<u>237,680</u>	<u>44,967</u>	<u>48,513</u>

(ii) Performance obligations for contracts with customers

Construction contracts

The Group provides electrical and mechanical engineering works to customers. Such services are recognised as a performance obligation satisfied over time as the Group creates or enhances an asset that the customer controls as the asset is created or enhanced.

A contract asset, net of contract liability related to the same contract, is recognised over the period in which the construction contracts are performed representing the Group's right to consideration for the services performed because the rights are conditioned on the Group's future performance in achieving specified milestones. The contract assets are transferred to trade receivables when the rights become unconditional.

Retention receivables, prior to expiration of defect liability period, are classified as contract assets, which ranges from one to two years from the date of the practical completion of the construction. The relevant amount of contract asset is reclassified to trade receivables when the defect liability period expires. The defect liability period serves as an assurance that the construction services performed comply with agreed upon specifications and such assurance cannot be purchased separately.

Provision of services

The Group's maintenance and repair services involve the provision of services on the low voltage systems, heating, ventilation and air-conditioning systems and/or extra low voltage systems to customers.

The Group provides such services as a fixed-price contract, with contract terms generally ranging from one year to three years. Revenue from fixed price contracts for delivering such services is recognised over time, when the customers simultaneously receive and consume the benefits from the Group's performance. Such services are recognised using a straight-line basis over the term of the contract.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) and the expected timing of recognising revenue are as follows:

As at 31 December 2017

	Electrical and mechanical works MOP'000	Maintenance and repair services MOP'000
Within one year	91,302	2,094
More than one year but not more than two years	53,206	1,005
	<u>144,508</u>	<u>3,099</u>

As at 31 December 2018

	Electrical and mechanical works MOP'000	Maintenance and repair services MOP'000
Within one year	138,492	2,508
More than one year but not more than two years	62,162	686
	<u>200,654</u>	<u>3,194</u>

As at 31 December 2019

	Electrical and mechanical works <i>MOP'000</i>	Maintenance and repair services <i>MOP'000</i>
Within one year	197,359	2,017
More than one year but not more than two years	2,137	2,834
	<u>199,496</u>	<u>4,851</u>

As at 28 February 2019 (unaudited)

	Electrical and mechanical works <i>MOP'000</i>	Maintenance and repair services <i>MOP'000</i>
Within one year	154,015	2,494
More than one year but not more than two years	76,743	732
	<u>230,758</u>	<u>3,226</u>

As at 29 February 2020

	Electrical and mechanical works <i>MOP'000</i>	Maintenance and repair services <i>MOP'000</i>
Within one year	230,871	2,090
More than one year but not more than two years	750	1,928
	<u>231,621</u>	<u>4,018</u>

(iv) 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.

(v) Information about major customers

Revenue from customers in respect of electrical and mechanical engineering works and maintenance and repair services of the Relevant Periods contributing over 10% of the total revenue of the Group are as follows:

	Year ended 31 December			Two months ended 28 February	Two months ended 29 February
	2017	2018	2019	2019	2020
	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
				(unaudited)	
ACEL Engineering Company Limited	93,122	88,148	58,759	29,698	N/A*
Customer A	26,078	Nil	N/A*	Nil	N/A*
Customer D1	N/A*	60,109	53,230	N/A*	16,790
Customer E	Nil	23,045	N/A*	N/A*	Nil
Customer F	N/A*	N/A*	52,460	5,531	N/A*
Customer C	N/A*	N/A*	N/A*	6,242	Nil
Customer D2	Nil	Nil	N/A*	N/A*	18,803
Customer D3	Nil	N/A*	N/A*	N/A*	5,466

* Revenue from the relevant customer was less than 10% of the Group's total revenue for the respective year/period.

Note: Customer D1, Customer D2 and Customer D3 are entities belonging to the same group. Revenue from either Customer D1, Customer D2 or Customer D3 shown above does not include the revenue from the other entities in this group.

7. OTHER INCOME

	Year ended 31 December			Two months ended 28 February	Two months ended 29 February
	2017	2018	2019	2019	2020
	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
				(unaudited)	
Bank interest income	–	14	11	–	3

8. FINANCE COSTS

Finance costs represent interest on lease liabilities.

9. PROFIT FOR THE YEAR/PERIOD

	Year ended 31 December			Two months ended 28 February 2019	Two months ended 29 February 2020
	2017	2018	2019	2019	2020
	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
				(unaudited)	
Profit for the year/period has been arrived at after charging (crediting):					
Directors' emoluments (<i>note 10</i>)	472	716	749	115	120
Other staff costs:					
Salaries and other allowances	13,633	20,983	21,574	4,125	3,556
Retirement benefit scheme contributions, excluding those of directors	84	100	86	15	15
Total staff costs	14,189	21,799	22,409	4,255	3,691
Less: amounts included in cost of services	(11,905)	(16,720)	(18,130)	(3,433)	(2,629)
	2,284	5,079	4,279	822	1,062
Auditor's remuneration (<i>Note</i>)	–	–	–	–	–
Depreciation of					
– property, plant and equipment	289	376	376	77	51
– right-of-use assets	667	805	875	134	154
Legal and professional fees	30	41	41	–	–

Note: During the Relevant Periods, Kento did not prepare audited financial statements as it fell under the category of Group A taxpayer in Macau. No auditor had been appointed and no auditor's remuneration incurred.

10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

(a) Directors

On 24 October 2017, Mr. Cheong and Mr. Leong were appointed as the executive directors of the Company. Details of the emoluments paid or payable (including emoluments for the services as directors of the group entities prior to becoming directors of the Company) to the directors of the Company during the Relevant Periods for their services rendered to the entities comprising the Group are as follows:

Year ended 31 December 2017

	Fee	Salaries and other allowances	Discretionary bonus	Retirement benefit scheme contributions	Total
	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
Executive directors:					
Mr. Cheong	–	471	–	1	472
Mr. Leong	–	–	–	–	–
	–	471	–	1	472

Year ended 31 December 2018

	Fee <i>MOP'000</i>	Salaries and other allowances <i>MOP'000</i>	Discretionary bonus <i>MOP'000</i>	Retirement benefit scheme contributions <i>MOP'000</i>	Total <i>MOP'000</i>
Executive directors:					
Mr. Cheong	–	715	–	1	716
Mr. Leong	–	–	–	–	–
	–	715	–	1	716

Year ended 31 December 2019

	Fee <i>MOP'000</i>	Salaries and other allowances <i>MOP'000</i>	Discretionary bonus <i>MOP'000</i>	Retirement benefit scheme contributions <i>MOP'000</i>	Total <i>MOP'000</i>
Executive directors:					
Mr. Cheong	–	748	–	1	749
Mr. Leong	–	–	–	–	–
	–	748	–	1	749

Two months ended 28 February 2019 (unaudited)

	Fee <i>MOP'000</i>	Salaries and other allowances <i>MOP'000</i>	Discretionary bonus <i>MOP'000</i>	Retirement benefit scheme contributions <i>MOP'000</i>	Total <i>MOP'000</i>
Executive directors:					
Mr. Cheong	–	115	–	–*	115
Mr. Leong	–	–	–	–	–
	–	115	–	–*	115

Two months ended 29 February 2020

	Fee <i>MOP'000</i>	Salaries and other allowances <i>MOP'000</i>	Discretionary bonus <i>MOP'000</i>	Retirement benefit scheme contributions <i>MOP'000</i>	Total <i>MOP'000</i>
Executive directors:					
Mr. Cheong	–	120	–	–*	120
Mr. Leong	–	–	–	–	–
	–	120	–	–*	120

* less than MOP1,000

(b) Employees

The five highest paid individuals of the Group for the Relevant Periods include one executive director for each of the years ended 31 December 2017, 2018 and 2019 and two months ended 28 February 2019 (unaudited) and 29 February 2020. The emoluments of the remaining individuals of the Group for the years ended 31 December 2017, 2018 and 2019 and two months ended 28 February 2019 and 29 February 2020 are as follows:

	Year ended 31 December			Two months ended 28 February 2019	Two months ended 29 February 2020
	2017	2018	2019	2019	2020
	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
				(unaudited)	
Salaries and other allowances	1,606	2,555	2,789	411	454
Discretionary bonus (<i>Note</i>)	1,915	1,815	2,090	348	382
Retirement benefit scheme contributions	5	5	5	1	1
	<u>3,526</u>	<u>4,375</u>	<u>4,884</u>	<u>760</u>	<u>837</u>

Note: The discretionary bonus is determined by reference to the duties and responsibilities of the relevant individual within the Group and the Group's performance.

The number of highest paid employees who are not the directors of the Company whose remuneration fell within the following bands is as follows:

	Year ended 31 December			Two months ended 28 February 2019	Two months ended 29 February 2020
	2017	2018	2019	2019	2020
	Number of employees	Number of employees	Number of employees	Number of employees	Number of employees
				(unaudited)	
Nil to HK\$1,000,000	2	2	1	4	4
HK\$1,000,001 to HK\$1,500,000	<u>2</u>	<u>2</u>	<u>3</u>	<u>–</u>	<u>–</u>

During the Relevant Periods, no emoluments were paid by the Group to the directors of the Company or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. No director has waived or agreed to waive any emoluments during the Relevant Periods.

11. INCOME TAX EXPENSE

	Year ended 31 December			Two months ended 28 February 2019	Two months ended 29 February 2020
	2017	2018	2019	2019	2020
	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
				(unaudited)	
Current tax:					
Macau Complementary Tax	4,628	4,965	5,456	1,077	1,152

The Company was incorporated in the Cayman Islands and is exempted from income tax.

The Group is subject to Macau SAR Complementary Tax at a rate of 12% on the assessable income exceeding MOP600,000 for each of the assessment year/period during the Relevant Periods.

The income tax expense for the Relevant Periods can be reconciled to the profit before tax per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December			Two months ended 28 February 2019	Two months ended 29 February 2020
	2017	2018	2019	2019	2020
	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
				(unaudited)	
Profit before tax	34,478	32,395	45,994	9,506	9,251
Tax charge at Macau Complementary Tax rate of 12%	4,137	3,887	5,519	1,141	1,110
Tax effect of expenses not deductible for tax purpose	563	1,150	9	8	114
Special complementary tax incentive	(72)	(72)	(72)	(72)	(72)
Tax charge for the year/period	4,628	4,965	5,456	1,077	1,152

12. DIVIDENDS

During the year ended 31 December 2017, Kento declared and paid dividends in an aggregate amount of MOP12,600,000 to its shareholders. During the year ended 31 December 2018, the Company declared and paid dividend with MOP10,000 per ordinary share in an aggregate amount of MOP10,000,000 to its shareholders. No dividend paid or proposed for ordinary shareholders of the Company during the year ended 31 December 2019 and the two months ended 29 February 2020. The rate of dividends and number of shares ranking for the dividends during the year ended 31 December 2017 are not presented as such information is not considered meaningful having regard to the purpose of this report.

13. EARNINGS PER SHARE

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

	Year ended 31 December			Two months ended 28 February	Two months ended 29 February
	2017	2018	2019	2019	2020
	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
				(unaudited)	
Earnings					
Earnings for the purpose of calculating basic earnings per share (profit for the year/period attributable to the owners of the Company)	29,850	27,430	40,538	8,429	8,099
	'000	'000	'000	'000	'000
Number of shares					
Number of shares for the purpose of calculating basic earnings per share	396,900	396,900	396,900	396,900	396,900

The number of ordinary shares for the purpose of calculating basic earnings per share has been determined on the assumption that the Reorganisation and the capitalization issue as described in Appendix IV to the Prospectus had been effective on 1 January 2017.

No diluted earnings per share for the Relevant Periods was presented as there were no potential ordinary shares in issue during the Relevant Periods.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Motor vehicles	Office equipment	Furniture and fixtures	Machinery	Total
	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
COST						
At 1 January 2017	1,119	140	130	256	–	1,645
Additions	10	–	55	48	9	122
At 31 December 2017	1,129	140	185	304	9	1,767
Additions	300	–	42	107	–	449
At 31 December 2018	1,429	140	227	411	9	2,216
Additions	–	–	10	–	–	10
At 31 December 2019 and 29 February 2020	1,429	140	237	411	9	2,226

	Leasehold improvements <i>MOP'000</i>	Motor vehicles <i>MOP'000</i>	Office equipment <i>MOP'000</i>	Furniture and fixtures <i>MOP'000</i>	Machinery <i>MOP'000</i>	Total <i>MOP'000</i>
DEPRECIATION						
At 1 January 2017	254	104	32	54	–	444
Provided for the year	184	22	30	52	1	289
At 31 December 2017	438	126	62	106	1	733
Provided for the year	258	10	41	65	2	376
At 31 December 2018	696	136	103	171	3	1,109
Provided for the year	251	3	44	76	2	376
At 31 December 2019	947	139	147	247	5	1,485
Provided for the period	31	–	7	13	–	51
At 29 February 2020	978	139	154	260	5	1,536
CARRYING VALUE						
At 31 December 2017	691	14	123	198	8	1,034
At 31 December 2018	733	4	124	240	6	1,107
At 31 December 2019	482	1	90	164	4	741
At 29 February 2020	451	1	83	151	4	690

The property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account their residual values, at the following rates per annum:

Leasehold improvements	Over the term of the lease
Motor vehicles	20%
Office equipment	20%
Furniture and fixtures	20%
Machinery	20%

15. RIGHT-OF-USE ASSETS

	Office premises <i>MOP'000</i>	Warehouse <i>MOP'000</i>	Car park <i>MOP'000</i>	Printers <i>MOP'000</i>	Total <i>MOP'000</i>
COST					
At 1 January 2017	520	1,332	–	152	2,004
Additions	–	–	–	134	134
At 31 December 2017	520	1,332	–	286	2,138
Additions	469	–	–	43	512
At 31 December 2018	989	1,332	–	329	2,650
Additions	878	–	68	–	946
At 31 December 2019 and 29 February 2020	1,867	1,332	68	329	3,596

	Office premises <i>MOP'000</i>	Warehouse <i>MOP'000</i>	Car park <i>MOP'000</i>	Printers <i>MOP'000</i>	Total <i>MOP'000</i>
DEPRECIATION					
Provided for the year	208	410	–	49	667
At 31 December 2017	208	410	–	49	667
Provided for the year	325	410	–	70	805
At 31 December 2018	533	820	–	119	1,472
Provided for the year	368	410	26	71	875
At 31 December 2019	901	1,230	26	190	2,347
Provided for the year	68	68	6	12	154
At 29 February 2020	969	1,298	32	202	2,501
CARRYING VALUE					
At 31 December 2017	312	922	–	237	1,471
At 31 December 2018	456	512	–	210	1,178
At 31 December 2019	966	102	42	139	1,249
At 29 February 2020	898	34	36	127	1,095

MOP'000

Expense relating to short-term leases for the year ended 31 December 2017	100
Expense relating to short-term leases for the year ended 31 December 2018	225
Expense relating to short-term leases for the year ended 31 December 2019	302
Expense relating to short-term leases for the two months ended 29 February 2020	54
Total cash outflow for leases for the year ended 31 December 2017	826
Total cash outflow for leases for the year ended 31 December 2018	1,145
Total cash outflow for leases for the year ended 31 December 2019	1,302
Total cash outflow for leases for the two months ended 29 February 2020	228

During the Relevant Periods, the Group leases office premises, warehouse, car park and printers for its operations. Lease contracts are entered into for fixed term of 1 to 5 years. Lease terms are negotiated on an individual basis and contain different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group regularly entered into short-term leases for car parks. For each of the reporting period, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed in above.

16. CONTRACT ASSETS

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

	At 31 December			At
	2017	2018	2019	29 February
	MOP'000	MOP'000	MOP'000	2020
				MOP'000
Contract assets from contracts with customers	7,370	24,686	77,075	96,268
Less: allowance for credit losses (Note 30b)	—	(31)	(160)	(253)
	<u>7,370</u>	<u>24,655</u>	<u>76,915</u>	<u>96,015</u>

		At 31 December		At
		2017	2018	29 February
		MOP'000	MOP'000	2020
	Note			MOP'000
Represented by:				
Electrical and mechanical engineering works	a	7,370	24,655	74,366
Maintenance and repair services		—	—	2,549
		<u>7,370</u>	<u>24,655</u>	<u>76,915</u>
		<u>7,370</u>	<u>24,655</u>	<u>96,015</u>

		At 31 December		At
		2017	2018	29 February
		MOP'000	MOP'000	2020
				MOP'000
Analysed as current				
Unbilled revenue		4,985	22,142	69,608
Retention receivables		2,385	2,513	7,307
		<u>7,370</u>	<u>24,655</u>	<u>76,915</u>
		<u>7,370</u>	<u>24,655</u>	<u>96,015</u>

Note a: Changes of contract assets during the years ended 31 December 2018 and 2019 and two months ended 29 February 2020 were mainly due to increase in number of electrical and mechanical engineering works were performed but yet to bill the customers at the end of each reporting period.

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.

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 netoffs 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.

As at 31 December 2017, 2018 and 2019 and 29 February 2020, retention money held by customers for contract works amounted to MOP2,385,000, MOP2,513,000, MOP7,307,000 and MOP6,388,000, respectively. 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 ageing analysis of retention money which is to be settled, based on the expiry of defect liability period, at the end of the reporting period.

	At 31 December			At 29 February
	2017	2018	2019	2020
	MOP'000	MOP'000	MOP'000	MOP'000
Within one year	1,117	1,896	2,072	2,072
After one year	1,268	617	5,235	4,316
	<u>2,385</u>	<u>2,513</u>	<u>7,307</u>	<u>6,388</u>

As at 31 December 2017, 2018, and 2019 and 29 February 2020, included in the Group's retention money are debtors with a carrying amount of nil, MOP8,000, MOP25,000 and MOP25,000, respectively, which are past due but not impaired. The Group does not hold any collateral over these balances.

To measure the ECL, contract assets and trade receivables have been grouped based on shared credit risk characteristics. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for the trade receivables are a reasonable approximation of the loss rates for the contract assets.

Details of impairment assessment are set out in note 30b.

17. DEBTORS, DEPOSITS AND PREPAYMENTS

	The Group				The Company			
	At 31 December		At 29 February		At 31 December		At 29 February	
	2017	2018	2019	2020	2017	2018	2019	2020
	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
Trade receivables	50,529	56,227	41,149	27,024	–	–	–	–
Less: allowance for credit losses (Note 30b)	–	(104)	(158)	(110)	–	–	–	–
	<u>50,529</u>	<u>56,123</u>	<u>40,991</u>	<u>26,914</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Other debtors, deposits and prepayments								
– Deposits	1,434	6,106	6,162	6,243	–	–	–	–
– Prepayments	425	17	347	345	412	–	–	–
– Deferred share issue costs	1,152	3,320	3,320	3,652	1,152	3,320	3,320	3,652
– Other	6	–	–	–	–	–	–	–
	<u>53,546</u>	<u>65,566</u>	<u>50,820</u>	<u>37,154</u>	<u>1,564</u>	<u>3,320</u>	<u>3,320</u>	<u>3,652</u>

Trade Receivables

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

	At 31 December		At 29 February	
	2017	2018	2019	2020
	MOP'000	MOP'000	MOP'000	MOP'000
0 – 30 days	44,860	32,053	23,090	8,159
31 – 60 days	1,376	654	8,871	7,338
61 – 90 days	79	6,943	648	2,835
Over 90 days	4,214	16,577	8,540	8,692
	<u>50,529</u>	<u>56,227</u>	<u>41,149</u>	<u>27,024</u>

As at 31 December 2017, 2018 and 2019 and 29 February 2020, included in the Group's trade receivables balance are debtors with an aggregate carrying amount of MOP5,669,000, MOP24,174,000, MOP18,059,000 and MOP18,865,000 which are past due as at the reporting date. Out of the past due balances approximately MOP1,518,000, MOP3,858,000, MOP4,173,000 and MOP7,881,000 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.

Before the application of IFRS 9 on 1 January 2018, the Group has a policy regarding impairment losses on trade receivables which is based on the evaluation of collectability and ageing analysis of accounts and on management's judgement including the current creditworthiness and the past collection history of each customer.

The Group had not provided for impairment loss as at 31 December 2017 before the initial application of IFRS 9 on 1 January 2018 as the Group considered such balances could be recovered based on historical experience or have been subsequently settled.

Since 1 January 2018, the Group applies the simplified approach to measure ECL which uses a lifetime ECL for all trade receivables prescribed by IFRS 9. The trade receivables have been assessed based on provision matrix, grouped by the Group's internal credit rating at the reporting date.

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the customers from the date credit was initially granted up to the end of each of the reporting period. The majority of the Group's trade receivables that are past due but not impaired are from customers with good credit quality with reference to respective settlement history and forward-looking information and the Group considers any change in the expected life of the trade receivables at the end of each reporting period. The Group does not hold any collateral over these balances.

Details of impairment assessment are set out in note 30b.

18. AMOUNT DUE FROM A RELATED COMPANY

						Maximum amount outstanding during			
	At	At 31 December			At	year ended 31 December		two months ended	
	1 January	2017	2018	2019	29 February	2017	2018	2019	29 February
	2017	2017	2018	2019	2020	2017	2018	2019	2020
	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
Amount due from a related company									
Non-trade nature									
Ching Wo Cleaning Company Limited									
(Note)	12	12	-	-	-	12	12	-	-
	12	12	-	-	-				

Note: One of the Controlling Shareholders, Mr. Cheong, has beneficial interest over the related company.

As at the end of each reporting period, the non-trade amount with the related company is unsecured, interest-free and repayable on demand.

19. AMOUNTS DUE FROM SHAREHOLDERS

	Terms						Maximum amount outstanding during			
		At	At 31 December			At	years ended 31 December		two months ended	
		1 January	2017	2018	2019	29 February	2017	2018	2019	29 February
		2017	2017	2018	2019	2020	2017	2018	2019	2020
		MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
Amounts due from shareholders										
Non-trade nature										
Mr. Cheong	Unsecured, interest-free and repayable on demand	3,067	3,067	-	-	-	3,067	3,067	-	-
Mr. Leong	Unsecured, interest-free and repayable on demand	2,685	2,685	-	-	-	2,685	2,685	-	-
		5,752	5,752	-	-	-				

20. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

	The Group				The Company			
	At 31 December			At 29 February	At 31 December			At 29 February
	2017	2018	2019	2020	2017	2018	2019	2020
	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
Pledged bank deposits	2,685	2,699	2,710	2,713	–	–	–	–
Bank balances and cash	8,593	18,731	34,038	40,900	–	1	1	5

Pledged bank deposits represent bank deposits which are pledged to secure bank guarantee to the Group. As at 31 December 2017, 2018 and 2019 and 29 February 2020, the pledged bank deposits carried interest rate of 0.53% per annum.

Bank balances carry interest at prevailing market rates at 0.01% per annum as at 31 December 2017, 2018 and 2019 and 29 February 2020.

As at 31 December 2017, bank balances and cash comprised short-term bank deposits with original maturity less than three months carried at interest rate of 0.16% per annum.

The carrying amounts of the Group's pledged bank deposits and bank balances and cash denominated in currency other than functional currency of the relevant group entities at each of the reporting dates is as follows:

	At 31 December			At 29 February
	2017	2018	2019	2020
	MOP'000	MOP'000	MOP'000	MOP'000
Hong Kong Dollar ("HK\$")	4,394	11,388	18,304	24,228

21. CONTRACT LIABILITIES

The contract liabilities arising from electrical and mechanical engineering works are as follows:

	At 31 December			At 29 February
	2017	2018	2019	2020
	MOP'000	MOP'000	MOP'000	MOP'000
Contract liabilities	15,112	21,976	30,651	22,707

Contract liabilities which are expected to be settled within the Group's normal operating cycle, are classified as current liabilities.

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

	Year ended 31 December			Two months ended 29 February
	2017	2018	2019	2020
	MOP'000	MOP'000	MOP'000	MOP'000
Revenue recognised that was included in the contract liability balance at the beginning of the year/period	2,002	15,112	21,976	19,137

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.

22. CREDITORS AND ACCRUED CHARGES

	The Group				The Company			
	At 31 December		At 29 February		At 31 December		At 29 February	
	2017	2018	2019	2020	2017	2018	2019	2020
	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
Trade payables	81	8,219	9,616	23,800	–	–	–	–
Other creditors and accrued charges								
– Accrued staff bonus	2,887	3,878	3,555	200	–	–	–	–
– Accrued listing expenses	2,496	546	–	928	2,496	546	–	928
– Accrued share issue costs	562	142	–	240	562	142	–	240
– Other payables and accruals	30	2,438	4,386	3,339	–	52	60	61
	<u>6,056</u>	<u>15,223</u>	<u>17,557</u>	<u>28,507</u>	<u>3,058</u>	<u>740</u>	<u>60</u>	<u>1,229</u>

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

	At 31 December		At 29 February	
	2017	2018	2019	2020
	MOP'000	MOP'000	MOP'000	MOP'000
0 – 90 days	81	7,723	7,500	23,301
91 – 365 days	–	496	1,167	489
1 – 2 years	–	–	949	10
	<u>81</u>	<u>8,219</u>	<u>9,616</u>	<u>23,800</u>

23. LEASE LIABILITIES

	At 31 December		At 29 February	
	2017	2018	2019	2020
	MOP'000	MOP'000	MOP'000	MOP'000
Lease liabilities payable:				
Within one year	736	768	638	561
Within a period of more than one year but not more than two years	654	318	487	456
Within a period of more than two years but not more than five years	219	202	177	122
	<u>1,609</u>	<u>1,288</u>	<u>1,302</u>	<u>1,139</u>
Less: Amount due for settlement with 12 months shown under current liabilities	<u>(736)</u>	<u>(768)</u>	<u>(638)</u>	<u>(561)</u>
Amount due for settlement after 12 months shown under non-current liability	<u>873</u>	<u>520</u>	<u>664</u>	<u>578</u>

24. SHARE CAPITAL OF THE COMPANY

The Group

Upon completion of the Reorganisation, the share capital of the Group as at 31 December 2017, 2018 and 2019 and 29 February 2020 represented the issued share capital of the Company with carrying amount of MOP10.

The movements in the Company's authorised and issued ordinary share capital are as follows:

	Number of shares	Share Capital MOP
Ordinary shares of HK\$0.01 each		
Authorised:		
On the date of incorporation on 24 October 2017, at 31 December 2017, 2018 and 2019 and 29 February 2020	38,000,000	391,400
Issued:		
At 24 October 2017 (date of incorporation)	200	2
Issue of shares on 4 December 2017 pursuant to the Reorganisation	800	8
At 31 December 2017, 2018 and 2019 and 29 February 2020	1,000	10

25. RESERVES OF THE COMPANY

	Share premium MOP'000	Accumulated losses MOP'000	Total MOP'000
At 24 October 2017 (date of incorporation)	–	–	–
Loss and total comprehensive expense for the period	–	(7,706)	(7,706)
Effect of group reorganisation (note 2)	35,569	–	35,569
At 31 December 2017	35,569	(7,706)	27,863
Profit and total comprehensive income for the year	–	17,426	17,426
Dividend paid (note 12)	–	(10,000)	(10,000)
At 31 December 2018	35,569	(280)	35,289
Loss and total comprehensive expense for the year	–	(81)	(81)
At 31 December 2019	35,569	(361)	35,208
Loss and total comprehensive expense for the period	–	(1,876)	(1,876)
At 29 February 2020	35,569	(2,237)	33,332

26. RELATED PARTY TRANSACTIONS

Apart from details of the balances with related parties disclosed in the consolidated statements of financial position and other details disclosed elsewhere in the Historical Financial Information, the Group also entered into the following transactions with related parties during the Relevant Periods.

Name of related party	Nature of transaction	Year ended 31 December			Two months ended 28 February	Two months ended 29 February
		2017	2018	2019	2019	2020
		MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
					(unaudited)	
Tecnologia Electrico E&M-Condicionado Hang-Fung (Note)	Maintenance and repair service expenses	123	–	–	–	–
Braintech Engineering And Trading, Ltd. (Note)	Electrical and mechanical engineering service income	183	–	–	–	–

Note: One of the Controlling Shareholders, Mr. Leong, has beneficial interest over the related company.

Compensation of key management personnel

The directors of the Company were identified as key management members of the Group. The remuneration of the directors during Relevant Periods is set out in note 10.

27. INVESTMENT IN AND PARTICULARS OF SUBSIDIARIES

The unlisted investment in a subsidiary of the Company as at 31 December 2017, 2018 and 2019 and 29 February 2020 were MOP35,569,000. The amount due to a subsidiary of the Company as at 31 December 2017, 2018 and 2019 and 29 February 2020 were unsecured, interest-free and repayable on demand.

As at the date of this report, the Company has direct and indirect shareholding/equity interests in the following subsidiaries:

Name of subsidiary	Place and the date of incorporation/establishment	Issued and fully paid capital	Shareholding/equity interest attributable to the Company as at				the date of this report	Principal activities	Notes
			31 December 2017	31 December 2018	31 December 2019	29 February 2020			
Directly held:									
Macau E&M	British Virgin Islands 30 October 2017	HK\$1	100%	100%	100%	100%	100%	Investment holding	(a)
Indirectly held:									
Kento	Macau 27 January 2011	MOP60,000	100%	100%	100%	100%	100%	Electrical and mechanical engineering service	(b)

All subsidiaries now comprising the Group are limited liability companies and have adopted 31 December as their financial year end date.

Notes:

- (a) No audited financial statements have been prepared since the date of incorporation as the company was incorporated in a jurisdiction where there is no statutory audit requirements.
- (b) No audited financial statements have been prepared for the years ended 31 December 2017, 2018 and 2019 as the company was incorporated in a jurisdiction where there is no statutory audit requirements.

28. RETIREMENT BENEFIT SCHEME

Employees employed by the Group's operation in Macau are members of government-managed social benefit schemes operated by the Macau government. The Macau operation is required to pay a monthly fixed contribution to the social benefits schemes to fund the benefits. The only obligation of the Group with respect to the social benefits scheme operated by the Macau government is to make the required contributions under the scheme.

29. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the entities in the Group will be able to continue as a going concern while maximising the return to its stakeholders and maintaining an adequate capital structure. The Group's overall strategy remained unchanged throughout the Relevant Periods.

The capital structure of the Group consists of debts, which includes bank balances and cash and equity attributable to owners of the Company, comprising share capital and reserves.

The management of the Group regularly reviews the capital structure on a continuous basis taking into account the cost of capital and the risk associated with the capital. The Group will balance its overall capital structure through the payment of dividends and new shares issues as well as the issue of new debts.

30. FINANCIAL INSTRUMENTS**30a. Categories of financial instruments**

	The Group				The Company			
	At 31 December		At 29 February		At 31 December		At 29 February	
	2017	2018	2019	2020	2017	2018	2019	2020
	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
Financial assets								
Loans and receivables (including bank balances)	69,011	–	–	–	–	–	–	–
Amortised cost (including bank balances)	–	83,659	83,901	76,770	–	1	1	5
Financial liabilities								
Amortised cost	3,169	11,345	14,002	28,307	9,270	3,601	3,682	5,894
Lease liabilities	1,609	1,288	1,302	1,139	–	–	–	–

30b. Financial risk management objectives and policies

The Group's major financial instruments include debtors and deposits, amount due from a related company, amounts due from shareholders, pledged bank deposits, bank balances and trade and other payables. The Company's financial instruments include accrued charges and amount due to a subsidiary. Details of these financial instruments are disclosed in the respective notes.

The risks associated with these financial instruments include market risk (currency risk and interest rate risk), liquidity risk and credit risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk*Currency risk*

The group entities collect most of the revenue and incur most of the expenditures in their respective functional currencies. The Group is exposed to currency risk primarily through purchase of raw materials that are denominated in a currency other than the group entities' functional currency. The currency giving rise to this risk is primarily HK\$. The management of the Group considers that the Group's exposure to foreign currency exchange risk is insignificant as the majority of the Group's transactions are denominated in the functional currency of each individual group entity and HK\$ is pegged with MOP.

The Group currently does not have a foreign currency hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of certain significant foreign currency denominated monetary assets and monetary liabilities at the end of each reporting period are as follows:

	Assets							
	The Group		At		The Company		At	
	At 31 December		29 February		At 31 December		29 February	
	2017	2018	2019	2020	2017	2018	2019	2020
	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
HK\$	4,394	11,388	18,304	24,228	-	-	-	-
	<u>4,394</u>	<u>11,388</u>	<u>18,304</u>	<u>24,228</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Liabilities							
	The Group		At		The Company		At	
	At 31 December		29 February		At 31 December		29 February	
	2017	2018	2019	2020	2017	2018	2019	2020
	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
HK\$	(3,058)	(688)	-	(240)	(3,058)	(688)	-	(240)
	<u>(3,058)</u>	<u>(688)</u>	<u>-</u>	<u>(240)</u>	<u>(3,058)</u>	<u>(688)</u>	<u>-</u>	<u>(240)</u>

Sensitivity analysis

For the exposure to the fluctuation in HK\$ against MOP, the management of the Group is of the opinion that such exposure is insignificant and no sensitivity analysis is presented.

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank deposits and bank balances. The Group currently does not enter into any hedging instrument for cash flow interest rate risk.

The management of the Group considers that the overall interest rate risk is not significant and no sensitivity analysis is presented.

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties will default on their contractual obligations resulting in financial losses to the Group. At the end of each reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of respective financial assets as stated in the consolidated statements of financial position.

The management of the Group performs impairment assessment for financial assets and contract assets under ECL model. Information about the Group's credit risk management, maximum credit risk exposures and the related impairment assessment, if applicable, are summarised as below:

Trade receivables and contract assets arising from contracts with customers

The Group is exposed to concentration of credit risk at 31 December 2017, 2018 and 2019 and 29 February 2020 on trade receivables from the Group's top five major customers amounting to MOP47,166,000, MOP47,799,000, MOP21,976,000 and MOP17,901,000 respectively and accounted for 93%, 85%, 53% and 66% respectively of the Group's total trade receivables. The major customers of the Group are certain reputable organisations and management of the Group considered that the credit risk is insignificant after considering their historical settlement and credit quality.

In order to minimise credit risk, the management of the Group has delegated its finance team to develop and maintain the Group's credit risk gradings to categorise exposures according to their degree of risk of default. The finance team uses publicly available financial information and the Group's own historical repayment records to rate its major customers and debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

For trade receivables and contract assets, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL upon application of IFRS 9 since 1 January 2018. Trade receivables and contract assets are assessed collectively using a provision matrix with appropriate groupings.

Deposits, amount due from a related company, amounts due from shareholders, pledged bank deposits, bank balances and contract assets

Management of the Group makes periodic collective assessment as well as individual assessment on the recoverability of these items based on historical settlement records, past experience, and also available reasonable and supportive forward-looking information starting from 1 January 2018. The management of the Group believes that there is no material credit risk inherent in the Group's outstanding balance of deposits, amount due from a related company and amounts due from shareholders.

The credit risk on liquid funds of the Group is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables/ contract assets	Other financial assets
Very low risk	The counterparty has a very low risk of default and does not have any past-due amounts	Lifetime ECL - not credit-impaired	12-month ECL
Low risk	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL - not credit-impaired	12-month ECL
High risk	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL - not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL - credit-impaired	Lifetime ECL - credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

The tables below detail the credit risk exposures of the Group's financial assets and contract assets, which are subject to ECL assessment:

	<i>Notes</i>	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount		
					At 31 December 2018 <i>MOP'000</i>	At 29 February 2019 <i>MOP'000</i>	At 29 February 2020 <i>MOP'000</i>
Deposits	1	N/A	Low risk	12-month ECL	6,106	6,162	6,243
Trade receivables	2	N/A	Very low risk	Lifetime ECL	1,138	3,874	11
			Low risk	(provision matrix)	55,089	36,015	25,753
			High risk		–	1,260	1,260
					56,227	41,149	27,024
Contract assets	2	N/A	Very low risk	Lifetime ECL	1,822	1,064	2,225
			Low risk	(provision matrix)	22,864	76,011	94,043
					24,686	77,075	96,268
Pledged bank deposits		AA+	N/A	12-month ECL	2,699	2,710	2,713
Bank balances		AA+	N/A	12-month ECL	18,731	34,038	40,900

Notes:

- For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

At 31 December 2018	Past due <i>MOP'000</i>	Not past due <i>MOP'000</i>	Total <i>MOP'000</i>
Deposits	–	6,106	6,106
At 31 December 2019	Past due <i>MOP'000</i>	Not past due <i>MOP'000</i>	Total <i>MOP'000</i>
Deposits	–	6,162	6,162
At 29 February 2020	Past due <i>MOP'000</i>	Not past due <i>MOP'000</i>	Total <i>MOP'000</i>
Deposits	–	6,243	6,243

- For trade receivables and contract assets, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items by using a provision matrix, grouped by internal credit rating.

Provision matrix – internal credit rating

As part of the Group's credit risk management, the Group applies internal credit rating for its customers. The following table provides information about the exposure to credit risk for trade receivables and contract assets which are assessed based on provision matrix at the end of the reporting period within lifetime ECL (not credit impaired).

Gross carrying amount

Internal credit rating	Average loss rate	At 31 December 2018		2019		At 29 February 2020	
		Trade receivables	Contract assets	Trade receivables	Contract assets	Trade receivables	Contract assets
		MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
Very low risk	0.01%	1,138	1,822	3,874	1,064	11	2,225
Low risk	0.1% – 0.5%	55,089	22,864	36,015	76,011	25,753	94,043
High risk	0.7%	–	–	1,260	–	1,260	–
		<u>56,227</u>	<u>24,686</u>	<u>41,149</u>	<u>77,075</u>	<u>27,024</u>	<u>96,268</u>

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated. The Group applied the same estimated loss rate throughout the Track Record Period as the Company has assessed the estimated loss rates for every period during the Track Record Period and no significant changes on the estimated loss rates from 31 December 2018 to 29 February 2020 were noted from the periodic assessments.

Movement in the allowance for credit losses:

	Trade receivables MOP'000	Contract assets MOP'000	Total MOP'000
At 1 January 2018	–	–	–
Impairment losses under ECL model, net of reversal	<u>104</u>	<u>31</u>	<u>135</u>
At 31 December 2018	104	31	135
Impairment losses under ECL model, net of reversal	<u>54</u>	<u>129</u>	<u>183</u>
At 31 December 2019	158	160	318
Impairment losses under ECL model, net of reversal	<u>(48)</u>	<u>93</u>	<u>45</u>
At 29 February 2020	<u>110</u>	<u>253</u>	<u>363</u>

As at 31 December 2018 and 2019 and 29 February 2020, the Group provided MOP135,000, MOP318,000 and MOP363,000 impairment allowance for trade receivables and contract assets respectively, based on the provision matrix.

Liquidity risk

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

The following table details the Group's remaining contractual maturity for its financial liabilities which has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

The table includes both interest and principal cash flows.

*Liquidity table***The Group**

	Weighted average effective interest rate %	Repayable on demand or less than 3 months MOP'000	3 months to 1 year MOP'000	1 - 2 years MOP'000	Over 2 years MOP'000	Total undiscounted cash flows MOP'000	Total carrying amount MOP'000
At 31 December 2017							
Non-derivative financial liabilities							
Creditors and accrued charges	–	3,169	–	–	–	3,169	3,169
Lease liabilities	5	189	612	681	225	1,707	1,609
		<u>3,358</u>	<u>612</u>	<u>681</u>	<u>225</u>	<u>4,876</u>	<u>4,778</u>

	Weighted average effective interest rate %	Repayable on demand or less than 3 months MOP'000	3 months to 1 year MOP'000	1 – 2 years MOP'000	Over 2 years MOP'000	Total undiscounted cash flows MOP'000	Total carrying amount MOP'000
At 31 December 2018							
Non-derivative financial liabilities							
Creditors and accrued charges	–	10,858	487	–	–	11,345	11,345
Lease liabilities	5	305	508	336	209	1,358	1,288
		<u>11,163</u>	<u>995</u>	<u>336</u>	<u>209</u>	<u>12,703</u>	<u>12,633</u>

	Weighted average effective interest rate %	Repayable on demand or less than 3 months MOP'000	3 months to 1 year MOP'000	1 – 2 years MOP'000	Over 2 years MOP'000	Total undiscounted cash flows MOP'000	Total carrying amount MOP'000
At 31 December 2019							
Non-derivative financial liabilities							
Creditors and accrued charges	–	11,886	2,106	10	–	14,002	14,002
Lease liabilities	5	261	426	510	181	1,378	1,302
		<u>12,147</u>	<u>2,532</u>	<u>520</u>	<u>181</u>	<u>15,380</u>	<u>15,304</u>

	Weighted average effective interest rate %	Repayable on demand or less than 3 months MOP'000	3 months to 1 year MOP'000	1 – 2 years MOP'000	Over 2 years MOP'000	Total undiscounted cash flows MOP'000	Total carrying amount MOP'000
At 29 February 2020							
Non-derivative financial liabilities							
Creditors and accrued charges	–	27,808	114	385	–	28,307	28,307
Lease liabilities	5	134	473	474	123	1,204	1,139
		<u>27,942</u>	<u>587</u>	<u>859</u>	<u>123</u>	<u>29,511</u>	<u>29,446</u>

The Company

	Weighted average effective interest rate %	Repayable on demand or less than 3 months MOP'000	Total undiscounted cash flows MOP'000	Total carrying amount MOP'000
At 31 December 2017				
Non-derivative financial liabilities				
Accrued charges	–	3,058	3,058	3,058
Amount due to a subsidiary	–	6,212	6,212	6,212
		<u>9,270</u>	<u>9,270</u>	<u>9,270</u>
At 31 December 2018				
Non-derivative financial liabilities				
Accrued charges	–	740	740	740
Amount due to a subsidiary	–	2,861	2,861	2,861
		<u>3,601</u>	<u>3,601</u>	<u>3,601</u>

	Weighted average effective interest rate %	Repayable on demand or less than 3 months MOP'000	Total undiscounted cash flows MOP'000	Total carrying amount MOP'000
At 31 December 2019				
Non-derivative financial liabilities				
Accrued charges	–	60	60	60
Amount due to a subsidiary	–	3,622	3,622	3,622
		<u>3,682</u>	<u>3,682</u>	<u>3,682</u>

	Weighted average effective interest rate %	Repayable on demand or less than 3 months MOP'000	Total undiscounted cash flows MOP'000	Total carrying amount MOP'000
At 29 February 2020				
Non-derivative financial liabilities				
Accrued charges	–	1,229	1,229	1,229
Amount due to a subsidiary	–	4,665	4,665	4,665
		<u>5,894</u>	<u>5,894</u>	<u>5,894</u>

30c. Fair value measurements of financial instruments

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The fair value of financial assets and financial liabilities carried at amortised cost approximate their carrying amounts.

31. PERFORMANCE BONDS AND CONTINGENT LIABILITY

Certain customers of construction contracts undertaken by the Group require the group entity to issue guarantees for the performance of contract works in the form of performance bonds and secured by pledged bank deposits (see note 20). 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:

	At 31 December		At
	2017	2018	29 February
	<i>MOP'000</i>	<i>MOP'000</i>	<i>2020</i>
			<i>MOP'000</i>
Issued to the Group by a bank	<u>2,685</u>	<u>1,543</u>	<u>1,390</u>
			<u>30</u>

As at 31 December 2017, 2018, 2019 and 29 February 2020, the Group has obtained total credit facilities of nil, nil, MOP12,378,000 and MOP5,158,000 respectively for the issuance of performance bonds and these credit facilities were secured by the promissory notes of approximately MOP13,616,000 provided by the Company.

32. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statements of cash flows as cash flows from financing activities.

	Lease liabilities <i>Note 23</i> <i>MOP'000</i>	Accrued share issue costs <i>Note 22</i> <i>MOP'000</i>	Dividend payable <i>Note 12</i> <i>MOP'000</i>	Total <i>MOP'000</i>
At 1 January 2017	2,106	–	–	2,106
Financing cash flows (<i>Note</i>)	(726)	(590)	(12,600)	(13,916)
Dividend declared	–	–	12,600	12,600
New finance entered	134	–	–	134
Share issue cost accrued	–	1,152	–	1,152
Interest expense	95	–	–	95
At 31 December 2017	1,609	562	–	2,171
Financing cash flows (<i>Note</i>)	(920)	(2,588)	(10,000)	(13,508)
Dividend declared	–	–	10,000	10,000
New lease entered	512	–	–	512
Share issue cost accrued	–	2,168	–	2,168
Interest expense	87	–	–	87
At 31 December 2018	1,288	142	–	1,430
Financing cash flows (<i>Note</i>)	(1,000)	(142)	–	(1,142)
New lease entered	946	–	–	946
Interest expense	68	–	–	68
At 31 December 2019	1,302	–	–	1,302
Financing cash flows (<i>Note</i>)	(174)	(91)	–	(265)
Share issue cost accrued	–	332	–	332
Interest expense	11	–	–	11
At 29 February 2020	<u>1,139</u>	<u>240</u>	<u>–</u>	<u>1,379</u>
At 1 January 2019	1,288	142	–	1,430
Financing cash flow (<i>Note</i>)	(157)	–	–	(157)
Interest expense	10	–	–	10
At 28 February 2019 (unaudited)	<u>1,141</u>	<u>142</u>	<u>–</u>	<u>1,283</u>

Note: The cash flows make up the net amount of repayment of lease liabilities, interest paid, dividend paid, or share issue costs paid in the consolidated statements of cash flows.

33. NON-CASH TRANSACTIONS

Right-of-use assets for office premises, car park and printers with a total capital value of MOP134,000, MOP512,000 and MOP946,000, respectively, and the same amount of lease liabilities were recognised during the years ended 31 December 2017, 2018 and 2019, respectively.

34. SUBSEQUENT EVENTS

The outbreak of the 2019 Novel Coronavirus (“COVID-19”) in the world and the subsequent quarantine measures imposed has had an impact on the Group’s operations. The financial impact of COVID-19 on the Group’s Historical Financial Information was insignificant.

As the situation remains fluid, the directors of the Company considered that the financial effects of COVID-19 on the Group’s future financial statements cannot be reasonably estimated. Given the Group’s business might be affected should the situation in Macau (where the Group operates) deteriorates and the directors of the Company will continue to closely monitor in this regard.

On 21 August 2020, written resolutions of all shareholders of the Company were passed to approve the below matters set out in the paragraph headed “Further information about our Group – 3. Resolutions in writing of our Shareholders passed on 21 August 2020” in Appendix IV to the Prospectus. It was resolved, among other things:

- (i) the increase in authorised share capital of the Company from HK\$380,000 divided into 38,000,000 share of HK\$0.01 each, to HK\$20,000,000 divided into 2,000,000,000 shares of HK\$0.01 each;
- (ii) conditionally upon the share premium account of the Company being credited as a result of the Hong Kong public offering and the international placing (the “Global Offering”), the directors of the Company were authorised to capitalise an amount of HK\$3,968,990 standing to the credit of the share premium account of the Company and to appropriate such amount as to capital to pay up in full at par 396,899,000 shares for allotment and issue to the persons whose names appear on the register of members of the Company immediately before the completion of the Global Offering; and
- (iii) the adoption of a share option scheme where eligible participants may be granted options entitling them to subscribe for the Company’s shares. No share has been granted since the adoption of the scheme. The principal terms of which are set out in the paragraph headed “Share Option Scheme” in Appendix IV to the Prospectus.

35. DIRECTORS’ EMOLUMENTS

Under the arrangements currently in force, the aggregate remuneration (including fees, salaries, allowances and benefits in kind and pension scheme contribution, but excluding discretionary bonuses) of the directors of the Company for the year ending 31 December 2020 is estimated to be no more than MOP2,000,000.

36. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Company or any of its subsidiaries have been prepared in respect of any period subsequent to 29 February 2020.

The information set out in this appendix does not form part of the Accountants' Report on our financial information for the Track Record Period prepared by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of our Company, as set out in Appendix I to this prospectus, and is included in this prospectus for information only.

The unaudited pro forma financial information should be read in conjunction with "Financial information" in this prospectus and the Accountants' Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules is set out below to illustrate the effect of the proposed Hong Kong public offering and the international placing of the Shares of the Company (the "Global Offering") on the audited consolidated net tangible assets of the Group as if the Global Offering had taken place on 29 February 2020.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, may not give a true picture of the net tangible assets of the Group as at 29 February 2020 or any future dates following the Global Offering.

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group is prepared based on the audited consolidated net tangible assets of the Group as at 29 February 2020 as shown in the Accountants' Report as set out in Appendix I to this prospectus, and adjusted as follows:

	Audited consolidated net tangible assets of the Group as at 29 February 2020 MOP'000 Note 1	Estimated net proceeds from the Global Offering MOP'000 Note 2	Unaudited pro forma adjusted consolidated net tangible assets of the Group as at 29 February 2020 MOP'000	Unaudited pro forma adjusted consolidated net tangible assets of the Group as at 29 February 2020 per Share	
				MOP Note 3	HK\$ Note 4
Based on a minimum Offer Price of HK\$1.00 per Offer Share	110,530	68,376	178,906	0.36	0.35
Based on a maximum Offer Price of HK\$1.20 per Offer Share	110,530	85,922	196,452	0.39	0.38

Notes:

- (1) The amount of audited consolidated net tangible assets of the Group as at 29 February 2020 amounting to approximately MOP110,530,000 is extracted from the Accountants' Report of the Group set out in Appendix I to this prospectus.
- (2) The estimated net proceeds from the Global Offering are based on 103,100,000 new Shares to be issued at a minimum Offer Price of HK\$1.00 per Offer Share or a maximum Offer Price of HK\$1.20 per Offer Share, respectively, after deduction of the estimated underwriting fees and other related expenses expected to be incurred and borne by the Group subsequent to 29 February 2020. It does not take into account of any shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme or any shares which may be issued or repurchased by the Company pursuant to the Company's general mandate, as referred to Appendix IV to this prospectus. For the purpose of calculating the estimated net proceeds from the Global Offering, the translation of Hong Kong dollars into MOP was made at the rate of HK\$1.00 to MOP1.03. No representation is made that Hong Kong dollars amount have been, could have been or could be converted to MOP, or vice versa, at that rate or at any other rate or at all.
- (3) The unaudited pro forma adjusted consolidated net tangible assets of the Group as at 29 February 2020 per Share is arrived at on the basis of 500,000,000 Shares in total, assuming that the 103,100,000 new Shares to be issued under the Global Offering and the shares to be issued pursuant to the Capitalisation Issue had been completed on 29 February 2020. It does not take into account of any shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme or any shares which may be issued or repurchased by the Company pursuant to the Company's general mandate, as referred to Appendix IV to this prospectus.
- (4) The unaudited pro forma adjusted consolidated net tangible assets of the Group as at 29 February 2020 per Share amounts in MOP are converted into Hong Kong dollars at HK\$1.00 = MOP1.03. No representation is made that Hong Kong dollars amount have been, could have been or could be converted to MOP, or vice versa, at that rate or at any other rate or at all.
- (5) No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 29 February 2020.

The following is the text of a report received from our reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, prepared for the purposes of incorporation in this prospectus, in respect of the unaudited pro forma financial information of our Group.

Deloitte.

德勤

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

To the Directors of Macau E&M Holding Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Macau E&M Holding Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) by the directors of the Company (the “Directors”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets as at 29 February 2020 and related notes as set out on pages II-1 to II-2 of Appendix II to the prospectus issued by the Company dated 31 August 2020 (the “Prospectus”). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages II-1 to II-2 of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed Hong Kong public offering and international placing of the shares of the Company (the “Global Offering”) on the Group’s financial position as at 29 February 2020 as if the Global Offering had taken place at 29 February 2020. As part of this process, information about the Group’s financial position has been extracted by the Directors from the Group’s historical financial information for each of the three years ended 31 December 2019 and the two months ended 29 February 2020, on which an accountants’ report set out in Appendix I to the Prospectus has been published.

Directors’ Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“AG 7”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 29 February 2020 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

31 August 2020

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 24 October, 2017 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “Companies Law”). The Company’s constitutional documents consist of its Memorandum of Association (the “Memorandum”) and its Articles of Association (the “Articles”).

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 21 August 2020 with effect upon the Listing. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions

of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned or postponed meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned or postponed meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may by ordinary resolution of its members:

- (i) increase its share capital by the creation of new shares;
- (ii) consolidate all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

Notwithstanding the foregoing, for so long as any shares are listed on the Stock Exchange, titles to such listed shares may be evidenced and transferred in accordance with the laws applicable to and the rules and regulations of the Stock Exchange (the “Listing Rules”) that are or shall be applicable to such listed shares. The register of members in respect of its listed shares (whether the principal register or a branch register) may be kept by recording the particulars required by Section 40 of the Companies Law in a form otherwise than legible if such recording otherwise complies with the laws applicable to and the Listing Rules that are or shall be applicable to such listed shares.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by announcement or by electronic communication or by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year. The period of thirty (30) days may be extended in respect of any year if approved by the Members by ordinary resolution.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

(v) Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

The board may accept the surrender for no consideration of any fully paid share.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) Directors

(i) Appointment, retirement and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

(aa) he resigns by notice in writing delivered to the Company;

(bb) he becomes of unsound mind or dies;

- (cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) he is prohibited from being a director by law; or
- (ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants or convertible securities or securities of similar nature conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the Listing Rules and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount to their nominal value.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iv) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or past Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

The board may resolve to capitalise all or any part of any amount for the time being standing to the credit of any reserve or fund (including a share premium account and the profit and loss account) whether or not the same is available for distribution by applying such sum in paying up unissued shares to be allotted to (i) employees (including directors) of the Company and/or its affiliates (meaning any individual, corporation, partnership, association, joint-stock company, trust, unincorporated association or other entity (other than the Company) that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, the Company) upon exercise or vesting of any options or awards granted under any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting, or (ii) any trustee of any trust to whom shares are to be allotted and issued by the Company in connection with the operation of any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting.

(vi) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn or postpone and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(d) Alterations to constitutional documents and the Company's name

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) Meetings of members***(i) Special and ordinary resolutions***

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

(ii) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that in the case of a physical meeting, the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy

shall have one vote on a show of hands. Votes (whether on a show of hands or by way of poll) may be cast by such means, electronic or otherwise, as the Directors or the chairman of the meeting may determine.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the Listing Rules, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings and extraordinary general meetings

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the Listing Rules.

Extraordinary general meetings may be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may convene a physical meeting at only one location which will be the Principal Meeting Place (as defined below), and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the board shall be reimbursed to the requisitionist(s) by the Company.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify (a) the time and date of the meeting, (b) save for an electronic meeting, the place of the meeting and if there is more than one meeting location as determined by the Board pursuant to the Articles, the principal place of the meeting (the “**Principal Meeting Place**”), (c) if the general meeting is to be a hybrid meeting or an electronic meeting, the notice shall include a statement to that effect and with details of the electronic facilities for attendance and participation by electronic means at the meeting or where such details will be made available by the Company prior to the meeting, and (d) particulars of resolutions to be considered at the meeting.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be given or issued by the following means:

- (aa) by serving it personally on the relevant person;
- (bb) by sending it through the post to such member’s registered address;
- (cc) by delivering or leaving it at such member’s registered address;
- (dd) by placing an advertisement in newspapers or other publication and where applicable, in accordance with the requirements of the Stock Exchange;
- (ee) by sending or transmitting it as an electronic communication to the relevant person at such electronic address as he may provide under the Articles, subject to the Company complying with the Cayman Islands laws and any other applicable laws, rules and regulations from time to time in force with regard to any requirements for the obtaining of consent (or deemed consent) from such person;

- (ff) by publishing it on the Company's website to which the relevant person may have access, subject to the Company complying with the Cayman Islands law and any other applicable laws, rules and regulations from time to time in force with regard to any requirements for the obtaining of consent (or deemed consent) from such person and/or for giving notification to any such person stating that the notice, document or publication is available on the Company's computer network website; or
- (gg) by sending or otherwise making it available to such person through such other means to the extent permitted by and in accordance with the Cayman Islands law and other applicable laws, rules and regulations.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

- (aa) the declaration and sanctioning of dividends;
 - (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
 - (cc) the election of directors in place of those retiring;
 - (dd) the appointment of auditors and other officers; and
 - (ee) the fixing of the remuneration of the directors and of the auditors.
- (v) *Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned or postponed meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the Listing Rules, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by special resolution remove the auditor at any time before the expiration of his terms of office and shall by ordinary resolution at that meeting appoint another auditor for the remainder of his term. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "**Court**"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to the Tax Concessions Law of the Cayman Islands, the Company has obtained an undertaking:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 21 November, 2017.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

The notice of registered office is a matter of public record. A list of the names of the current directors and alternate directors (if applicable) is made available by the Registrar of Companies for inspection by any person on payment of a fee. The register of mortgages is open to inspection by creditors and members.

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. The register of members shall contain such particulars as required by Section 40 of the Companies Law. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(o) Register of Directors and Officers

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(p) Beneficial Ownership Register

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, 25% or more of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are listed on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

(q) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(r) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(s) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(t) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

(u) Economic Substance Requirements

Pursuant to the International Tax Cooperation (Economic Substance) Law, 2018 of the Cayman Islands ("ES Law") that came into force on 1 January 2019, a "relevant entity" is required to satisfy the economic substance test set out in the ES Law. A "relevant entity" includes an exempted company incorporated in the Cayman Islands as is the Company; however, it does not include an entity that is tax resident outside the Cayman Islands. Accordingly, for so long as the Company is a tax resident outside the Cayman Islands, including in Hong Kong, it is not required to satisfy the economic substance test set out in the ES Law.

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP**1. Incorporation of our Company**

Our Company was incorporated in the Cayman Islands under the Cayman Companies Law as an exempted company with limited liability on 24 October 2017 and was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on 29 January 2018. We have established a principal place of business in Hong Kong at Rooms 1909-13, 19/F, Tai Yau Building, 181 Johnston Road, Wanchai, Hong Kong. Mr. Chan Yat Lui, the company secretary of our Company, has been appointed as the authorised representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, we are subject to the Cayman Islands law and our constitution comprising the Memorandum and the Articles. A summary of certain provisions of our constitution and relevant aspects of the Cayman Islands company law is set out in Appendix III to this prospectus.

2. Changes in the share capital of our Company

Our authorised share capital as at the date of our incorporation was HK\$380,000 divided into 38,000,000 Shares. On 24 October 2017, one Share was allotted and issued at par to an initial subscriber, who is an Independent Third Party, and such Share was subsequently transferred to Macau E&M Group on the same day. On 24 October 2017, 99 Shares and 100 Shares were allotted and issued, credited as fully paid, to Macau E&M Group and Macau E&M Assets, respectively.

On 4 December 2017, 400 Shares and 400 Shares were allotted, issued and credited as fully paid to Macau E&M Group (as directed by Mr. Cheong) and Macau E&M Assets (as directed by Mr. Leong) to settle the consideration for the acquisition of the entire share capital of Kento Engineering.

On 1 March 2018, Macau E&M Assets entered into a sale and purchase agreement with each of One Wesco and Bridge Capital, pursuant to which Macau E&M Assets agreed to sell (a) 230 Shares to One Wesco at a consideration of HK\$6,210,000; and (b) 140 Shares to Bridge Capital at a consideration of HK\$3,780,000.

On 21 August 2020, our Company increased our authorised share capital to HK\$20,000,000 divided into 2,000,000,000 Shares with a par value of HK\$0.01 each by the creation of an additional 1,962,000,000 Shares. We will further allot and issue an aggregate of 396,899,000 Shares to our then existing Shareholders pursuant to the Capitalisation Issue.

Immediately following the completion of the Global Offering and the Capitalisation Issue and taking no account any Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme, the issued share capital of our Company will be HK\$5,000,000 divided into 500,000,000 Shares of HK\$0.01 each, all fully paid or credited as fully paid and 1,500,000,000 Shares will remain unissued.

Save for aforesaid and as mentioned in “3. Resolutions in writing of our Shareholders passed on 21 August 2020” below in this Appendix, there has been no alteration in the share capital of our Company since its incorporation.

3. Resolutions in writing of our Shareholders passed on 21 August 2020

Pursuant to written resolutions of our Shareholders passed on 21 August 2020:

- (a) we approved and adopted the Memorandum of Association with immediate effect;
- (b) we approved and conditionally adopted the Articles of Association which will become effective upon Listing;
- (c) the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares to HK\$20,000,000 divided into 2,000,000,000 Shares by the creation of an additional 1,962,000,000 Shares;
- (d) conditional on (A) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue, Shares to be issued pursuant to the Global Offering and the Capitalisation Issue and Shares to be issued as mentioned in this prospectus (including any additional Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme); (B) the entering into of the Price Determination Agreement between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholders) on the Price Determination Date; (C) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms therein or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreements:
 - (i) the Global Offering was approved and our Directors were authorised to allot and issue the new Shares and approve the transfer of the Sale Shares pursuant to the Global Offering;
 - (ii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed “D. Other information – 1. Share Option Scheme” below in this Appendix, were approved and adopted and our Directors were authorised, at their absolute discretion, to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options granted under the Share Option Scheme;

- (iii) conditional on the share premium account of our Company being credited as a result of the issue of the Offer Shares by our Company pursuant to the Global Offering, our Directors were authorised to capitalise an amount of HK\$3,968,990 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 396,899,000 Shares, such Shares to be allotted and issued to our Shareholders as at 21 August 2020 on a *pro rata* basis;
- (iv) a general unconditional mandate was given to our Directors to allot, issue and deal with (including the power to make an offer or agreement, or grant securities which would or might require Shares to be allotted and issued), otherwise than pursuant to a rights issue or pursuant to any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles or pursuant to the grant of options under the Share Option Scheme or other similar arrangement or pursuant to a specific authority granted by the Shareholders in general meeting, unissued Shares not exceeding 20% of the number of issued Shares immediately following the completion of the Global Offering and Capitalisation Issue (but taking no account of any options which may be granted under the Share Option Scheme), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held, or until revoked or varied by an ordinary resolution of the Shareholders in general meeting, whichever occurs first;
- (v) a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to buy back on the Stock Exchange or on any other approved stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the number of issued Shares immediately following the completion of the Global Offering and the Capitalisation Issue (but taking no account of any options which may be granted under the Share Option Scheme), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held, or until revoked or varied by an ordinary resolution of the Shareholders in general meeting, whichever occurs first; and

- (vi) the general unconditional mandate mentioned in paragraph (iv) above was extended by the addition to the number of issued Shares which may be allotted and issued or agreed conditionally or unconditionally to be allotted and issued by our Directors pursuant to such general mandate of such amount representing the total number of issued Shares bought back by our Company pursuant to the mandate to buy back Shares referred to in paragraph (v) above.

4. Corporate Reorganisation

The companies comprising our Group underwent the Reorganisation in preparation for the Listing. Please refer to the section headed “History, Reorganisation and corporate structure” in this prospectus for further details on Reorganisation.

5. Changes in share capital of subsidiaries

Our subsidiaries are referred to in the Accountants’ Report in Appendix I to this prospectus. Save for the subsidiaries mentioned in the Accountants’ Report and “History, Reorganisation and corporate structure” in this prospectus, our Company has no other subsidiaries.

Save as disclosed in “History, Reorganisation and corporate structure” and “Share capital” in this prospectus and “2. Changes in the share capital of our Company” in this section, there are no changes in share capital of our subsidiaries within the two years immediately preceding the date of this prospectus.

6. Buyback by our Company of our own securities

(a) Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the more important of which are summarised below:

(i) Shareholders’ approval

All proposed buybacks of Shares (which must be fully paid up) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to resolution passed by our Shareholders on 21 August 2020, a general unconditional mandate (the “**Buyback Mandate**”) was granted to our Directors authorising them to exercise all powers of our Company to buy back such number of Shares on the Stock Exchange or on any other approved stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose representing up to 10% of the total number of Shares in issue and to be issued as mentioned herein (but taking no account of any options which may be granted under the Share Option Scheme), at any time until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by an applicable law or the Articles to be held or when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever is the earliest.

(ii) Source of funds

Buybacks must be funded out of funds legally available for the purpose in accordance with the Memorandum, the Articles, the Listing Rules and the laws of the Cayman Islands. A listed company may not buy back its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange in effect from time to time.

(b) Reasons for buybacks

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have general authority from our Shareholders to enable our Company to buy back Shares on the Stock Exchange. Buyback of Shares will only be made when our Directors believe that such a buyback will benefit our Company and our Shareholders. Such a buyback may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of our Company and our assets and/or our earnings per Share.

(c) Funding of buybacks

In buying back securities, our Company may only apply funds legally available for such purpose in accordance with the Memorandum, the Articles, the Listing Rules and the applicable laws of the Cayman Islands.

It is presently proposed that any buyback of Shares will be made out of the profits of our Company, the share premium amount of our Company or the proceeds of a fresh issue of Shares made for the purpose of the buyback or, subject to the Cayman Companies Law, out of capital and, in the case of any premium payable on the purchase over the par value of the Shares to be bought back must be provided for, out of either or both of the profits of our Company or from sums standing to credit of the share premium account of our Company or, subject to the Cayman Companies Law, out of capital.

On the basis of the current financial position of our Group as disclosed in this prospectus and taking into account the current working capital position of our Group, our Directors consider that, if the Buyback Mandate were to be exercised in full, it might not have a material adverse effect on the working capital and/or the gearing position of our Group as compared to the position disclosed in this prospectus. However, our Directors do not propose to exercise the Buyback Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital position or the gearing level of our Group which, in the opinion of our Directors, are from time to time appropriate for our Group.

(d) Share capital

The exercise in full of the Buyback Mandate, on the basis of 500,000,000 Shares in issue immediately after the Listing (but not taking into account any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), would result in up to 50,000,000 Shares being bought back by our Company during the period until:

- (i) the conclusion of the next annual general meeting of our Company;
- (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable law to be held; or
- (iii) the date on which the Buyback Mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever occurs first.

(e) General

None of our Directors nor, to the best of their knowledge, information and belief, having made all reasonable enquiries, any of their respective close associates, has any present intention to sell any Shares to us or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Buyback Mandate in accordance with the Listing Rules, the Articles and the applicable laws of the Cayman Islands in force and as amended from time to time.

No core connected person of our Company has notified us that it/he/she has a present intention to sell Shares to us, or has undertaken not to do so, if the Buyback Mandate is exercised.

If as a result of a share buyback pursuant to the Buyback Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder, or a group of Shareholders acting in concert (within the meaning of the Takeovers Code), depending on the level of increase of the Shareholder's (or Shareholders') interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase. Our Directors are not aware of any other consequences which may arise under the Takeovers Code if the Buyback Mandate is exercised.

If the Buyback Mandate is fully exercised immediately following completion of the Global Offering and the Capitalisation Issue (but not taking into account any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), the total number of Shares which will be bought back pursuant to the Buyback Mandate shall be 50,000,000 Shares, being 10% of the number of Shares in issue based on the aforesaid assumptions. Any buyback of Shares which results in the number of Shares held by the public being reduced to less than the prescribed percentage of our Shares then in issue could only be implemented with the approval of the Stock Exchange to waive the Listing Rules requirements regarding the public float under Rule 8.08 of the Listing Rules. However, our Directors have no present intention to exercise the Buyback Mandate to such an extent that, in the circumstances, there is insufficient public float as prescribed under the Listing Rules.

B. INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts









The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by us or any of our subsidiaries within the two years preceding the date of this prospectus that are or may be material:

- (a) the Deed of Indemnity;
- (b) the Deed of Non-Competition; and
- (c) the Hong Kong Underwriting Agreement.

2. Intellectual Property Rights of Our Group

(a) Trademarks

As at the Latest Practicable Date, our Group was the registered owner of the following trademarks:

Trademark	Registration Number	Class	Name of Registrant	Place of Registration	Date of Registration	Date of Expiry
(A) 	304269853	37	Kento Engineering	Hong Kong	12 September 2017	11 September 2027
(B) 						
	N/131335	37	Our Company	Macau	28 May 2018	28 May 2025
	N/131336	37	Our Company	Macau	28 May 2018	28 May 2025
	N/131331	37	Kento Engineering	Macau	28 May 2018	28 May 2025
	N/131332	37	Kento Engineering	Macau	28 May 2018	28 May 2025
	N/131333	37	Kento Engineering	Macau	28 May 2018	28 May 2025
	N/131334	37	Kento Engineering	Macau	28 May 2018	28 May 2025

(b) Domain names

As at the Latest Practicable Date, our Group was the registered proprietor of the following domain names:

<u>Domain name</u>	<u>Name of Registered Proprietor</u>	<u>Date of Registration</u>	<u>Expiry Date</u>
kento.com.mo	Kento Engineering	8 March 2011	8 March 2023
macauem.com	Our Company	13 March 2018	13 March 2023

C. FURTHER INFORMATION ABOUT DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Directors

(a) Disclosure of Interests – Interests and short positions of the Directors and the chief executive of our Company in the Shares, underlying Shares and debentures of our Company and our associated corporations

Immediately following completion of the Global Offering and the Capitalisation Issue and without taking into account Shares to be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme, the interests or short positions of our Directors or chief executive of our Company in the shares, underlying shares and debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules to be notified to our Company and the Stock Exchange, once our Shares are listed, will be as follows:

<u>Name of Shareholder</u>	<u>Nature of Interest</u>	<u>Number of Shares⁽¹⁾</u>	<u>Approximate percentage of shareholding interest</u>
Mr. Cheong ⁽²⁾	Interest of controlled corporation	198,450,000 (L)	39.7%

Name of Shareholder	Nature of Interest	Number of Shares ⁽¹⁾	Approximate percentage of shareholding interest
Mr. Leong ⁽³⁾	Interest of controlled corporation	51,597,000 (L)	10.3%

Notes:

- (1) The letter “L” denotes the person’s long position in the Shares.
- (2) Macau E&M Group is wholly owned by Mr. Cheong. By virtue of the SFO, Mr. Cheong is deemed to be interested in the Shares held by Macau E&M Group.
- (3) Macau E&M Assets is wholly owned by Mr. Leong. By virtue of the SFO, Mr. Leong is deemed to be interested in the Shares held by Macau E&M Assets.

(b) Particulars of service contracts

Each of our executive Directors has entered into a service contract with our Company for a term of three years commencing from the Listing Date, which may be terminated by not less than three months’ notice in writing served by either party on the other.

Each of the independent non-executive Directors has entered into a letter of appointment with our Company for a term of three years with effect from the Listing Date, which may be terminated by not less than three months’ notice in writing served by either party on the other.

(c) Directors’ remuneration

Each of our executive Directors is entitled to a remuneration and shall be paid on the basis of a twelve-month year. The annual remuneration (including fees, salaries, contributions to pension schemes, allowances, other benefits in kind) of our executive Directors for the year ended 31 December 2019 was approximately MOP0.7 million. The monthly salaries of Mr. Cheong and Mr. Leong provided under their service contracts will be MOP250,000 and MOP50,000, respectively.

Our independent non-executive Directors have been appointed for a term of three years. We intend to pay a director’s fee of HK\$132,000 per annum to each of the independent non-executive Directors, namely, Ms. Lee Sze Ming, Mr. Law Lap Tak and Mr. Chan Ming Kit.

Under the arrangement currently in force, the aggregate remuneration (including salaries, contributions to pension scheme, and other allowances and benefit in kind) of our Directors for the year ending 31 December 2020 is estimated to be no more than MOP2.0 million.

Further details of the terms of the abovementioned service contracts are set out in “C. Further information about Directors and substantial shareholders – 1. Directors – (b) Particulars of service contracts” above in this Appendix.

2. Substantial Shareholders

So far as our Directors are aware, immediately following the completion of the Global Offering and the Capitalisation Issue taking no account of any Shares that may be issued pursuant to the exercise of options which were granted under the Share Option Scheme, the following persons (other than our Directors and chief executive of our Company) will have or be deemed or taken to have an interest and/or short position in our Shares or the underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholder	Nature of Interest	Number of Shares ⁽¹⁾	Approximate percentage of interest in our Company immediately following the completion of the Global Offering and the Capitalisation Issue
Macau E&M Group	Beneficial owner	198,450,000 (L)	39.7%
Ms. Lo Chao Ieng ⁽²⁾	Interest of spouse	198,450,000 (L)	39.7%
Macau E&M Assets	Beneficial owner	51,597,000 (L)	10.3%
Ms. Leong Kam In ⁽³⁾	Interest of spouse	51,597,000 (L)	10.3%
Mr. Tam ⁽⁴⁾	Interest of controlled corporation	77,637,000 (L)	15.5%
One Wesco	Beneficial owner	77,637,000 (L)	15.5%
Ms. Law Ming Chu ⁽⁵⁾	Interest of spouse	77,637,000 (L)	15.5%
Mr. Tsang ⁽⁶⁾	Interest of controlled corporation	47,316,000 (L)	9.5%
Bridge Capital	Beneficial owner	47,316,000 (L)	9.5%
Ms. Li Sau Fun ⁽⁷⁾	Interest of spouse	47,316,000 (L)	9.5%

Notes:

- (1) The letter “L” denotes the person’s long position in the Shares.
- (2) Ms. Lo Chao Ieng is the spouse of Mr. Cheong. By virtue of the SFO, Ms. Lo Chao Ieng is deemed to be interested in the Shares in which Mr. Cheong is interested.
- (3) Ms. Leong Kam In is the spouse of Mr. Leong. By virtue of the SFO, Ms. Leong Kam In is deemed to be interested in the Shares in which Mr. Leong is interested.
- (4) One Wesco is wholly owned by Mr. Tam. By virtue of the SFO, Mr. Tam is deemed to be interested in the Shares held by One Wesco.
- (5) Ms. Law Ming Chu is the spouse of Mr. Tam. By virtue of the SFO, Ms. Law Ming Chu is deemed to be interested in the Shares in which Mr. Tam is interested.
- (6) Bridge Capital is wholly owned by Mr. Tsang. By virtue of the SFO, Mr. Tsang is deemed to be interested in the Shares held by Bridge Capital.
- (7) Ms. Li Sau Fun is the spouse of Mr. Tsang. By virtue of the SFO, Ms. Li Sau Fun is deemed to be interested in the Shares in which Mr. Tsang is interested.

3. Agency fees or commissions received

Save as disclosed in “History, Reorganisation and corporate structure”, “Future plans and use of proceeds” and “Underwriting” in this prospectus, no commissions, discounts, brokerages or other special terms were granted in connection with the issue or sale of any capital of any member of our Group within the two years immediately preceding the date of this prospectus.

4. Disclaimers

Save as disclosed in this prospectus:

- (a) none of our Directors or chief executives of our Company has any interest or short position in our shares, underlying shares or debentures of our Company or any of its associated corporation (within the meaning of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules upon Listing once the Shares are listed;
- (b) none of our Directors or experts referred to under the paragraph headed “D. Other information – 8. Qualification of experts” in this Appendix has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this prospectus been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (c) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;

- (d) none of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));
- (e) taking no account of Shares which may be taken up under the Global Offering, none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Global Offering, have an interest or short position in our Shares or underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of SFO or be interested, directly or indirectly, in 10% or more of the issued voting shares of any member of our Group;
- (f) none of the experts referred to under the paragraph headed “D. Other information – 8. Qualification of experts” in this Appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and
- (g) so far as is known to our Directors as at the Latest Practicable Date, none of our Directors, their respective close associates (as defined under the Listing Rules) or Shareholders who are interested in more than 5% of the number of Shares in issue has any interests in the five largest customers or the five largest suppliers of our Group.

D. OTHER INFORMATION

1. Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by the written resolutions of our Shareholders passed on 21 August 2020.

(a) Purpose

The Share Option Scheme is a share incentive scheme prepared in accordance with Chapter 17 of the Listing Rules and is established to recognise and acknowledge the contributions that the Eligible Participants (as defined in paragraph (b) below) had or may have made to our Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in our Company with the view to achieving the following objectives:

- (i) motivate the Eligible Participants to optimise their performance efficiency for the benefit of our Group; and
- (ii) attract and retain or otherwise maintain an on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of our Group.

(b) Who may join

The Board may, at its discretion, offer to grant an option to the following persons (collectively the “**Eligible Participants**”) to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with paragraph (f) below:

- (i) any full-time or part-time employees, executives or officers of our Company or any of our subsidiaries;
- (ii) any directors (including non-executive directors and independent non-executive directors) of our Company or any of our subsidiaries; and
- (iii) any advisers, consultants, suppliers, customers, distributors and such other persons who in the sole opinion of the Board will contribute or have contributed to our Company or any of our subsidiaries.

Upon acceptance of the option, the grantee shall pay HK\$1.00 to our Company by way of consideration for the grant.

(c) Acceptance of an offer of options

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptances of the options duly signed by the grantee, together with a remittance in favour of our Company of HK\$1.00 by way of consideration for the grant thereof, is received by our Company on or before the relevant acceptance date. Such remittance or payment shall in no circumstances be refundable. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

Subject to paragraphs (l), (m), (n), (o) and (p), an option shall be exercised in whole or in part and, other than where it is exercised to the full extent outstanding, shall be exercised in integral multiples of such number of Shares as shall represent one board lot for dealing in Shares on the Stock Exchange for the time being, by the grantee by giving notice in writing to our Company stating that the option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance or payment for the full amount of the exercise price for our Shares in respect of which the notice is given. Within 21 days after receipt of the notice and the remittance and, where appropriate, receipt of the certificate by the auditors to our Company or the approved independent financial adviser as the case may be pursuant to paragraph (r), our Company shall allot and issue the relevant number of Shares to the grantee credited as fully paid and issue to the grantee certificates in respect of our Shares so allotted.

The exercise of any option shall be subject to our Shareholders in general meeting approving any necessary increase in the authorised share capital of our Company.

(d) *Maximum number of Shares*

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of our Company must not in aggregate exceed 10% of the total number of Shares in issue immediately following completion of the Global Offering, being 50,000,000 Shares, excluding for this purpose Shares which would have been issuable pursuant to options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of our Company). Subject to the issue of a circular by our Company and the approval of our Shareholders in general meeting in compliance with Rules 17.03(3) and 17.06 of the Listing Rules and/or such other requirements prescribed under the Listing Rules from time to time, the Board may:

- (i) renew this limit at any time to 10% of the number of Shares in issue as at the date of the approval by our Shareholders in general meeting; and/or
- (ii) grant options beyond the 10% limit to Eligible Participants specifically identified by the Board. The circular issued by our Company to our Shareholders shall contain a generic description of the specified Eligible Participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to the specified Eligible Participants with an explanation as to how the options serve such purpose, the information required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules.

Notwithstanding the foregoing and subject to paragraph (r) below, the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company at any time shall not exceed 30% of the number of Shares in issue from time to time. No options shall be granted under any schemes of our Company (including the Share Option Scheme) if this will result in the 30% limit being exceeded. The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditors of our Company or an approved independent financial adviser shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of our Company in accordance with paragraph (r) below whether by way of capitalisation issue, rights issue, sub-division or consolidation of shares or reduction of the share capital of our Company but in no event shall exceed the limit prescribed in this paragraph.

(e) Maximum number of options to any one individual

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of our Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of our Shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to:

- (i) the issue of a circular by our Company to our Shareholders which shall comply with Rules 17.03(4) and 17.06 of the Listing Rules and/or such other requirements as prescribed under the Listing Rules from time to time. The circular to be issued by our Company shall contain the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant), the information as required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules; and
- (ii) the approval of our Shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such Eligible Participant and his close associates (or his associates if the Eligible participant is a connected person) abstaining from voting. The Board shall forward to such Eligible Participant an offer document in such form as the Board may from time to time determine which states (or, alternatively, documents accompanying the offer document which state), among others:
 - (aa) the Eligible Participant's name, address and occupation;
 - (bb) the date on which an option is offered to an Eligible Participant which must be a date on which the Stock Exchange is open for the business of dealing in securities;
 - (cc) the date upon which an offer for an option must be accepted;
 - (dd) the date upon which an option is deemed to be granted and accepted in accordance with paragraph (c);
 - (ee) the number of Shares in respect of which the option is offered;
 - (ff) the subscription price and the manner of payment of such price for our Shares on and in consequence of the exercise of the option;

(gg) the method of acceptance of the option which shall, unless the Board otherwise determines, be as set out in paragraph (c); and

(hh) such other terms and conditions (including, without limitation, any minimum period for which an option must be held before it can be exercised and/or any performance targets which must be achieved before the option can be exercised) relating to the offer of the option which in the opinion of the Board are fair and reasonable but not being inconsistent with the Share Option Scheme and the Listing Rules.

(f) *Price of Shares*

Subject to any adjustments made as described in paragraph (r) below, the subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price must be at least the higher of:

- (i) the official closing price of our Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;
- (ii) the average of the official closing prices of our Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and
- (iii) the nominal value of a Share.

(g) *Granting options to a director, chief executive or substantial shareholder of our Company or any of their respective associates*

Any grant of options to a director, chief executive or substantial shareholder of our Company or any of their respective associates is required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options). If the Board proposes to grant options to a substantial shareholder or any independent non-executive Director or any of their respective associates which will result in the number of Shares issued and to be issued upon exercise of options granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% or such other percentage as may be from time to time provided under the Listing Rules of our Shares in issue; and
- (ii) having an aggregate value in excess of HK\$5 million or such other sum as may be from time to time provided under the Listing Rules, based on the official closing price of our Shares at the date of each grant,

such further grant of options will be subject to the issue of a circular by our Company and the approval of our Shareholders in general meeting on a poll at which the grantee, his associates and all core connected persons of our Company shall abstain from voting in favour, and/or such other requirements prescribed under the Listing Rules from time to time. Any vote taken at the meeting to approve the grant of such options shall be taken as a poll.

The circular to be issued by our Company to our Shareholders pursuant to the above paragraph shall contain the following information:

- (i) the details of the number and terms (including the exercise price) of the options to be granted to each selected Eligible Participant which must be fixed before our Shareholders' meeting and the date of Board meeting for proposing such further grant shall be taken as the date of grant for the purpose of calculating the exercise price of such options;
- (ii) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options) to the independent Shareholders as to voting;
- (iii) the information required under Rules 17.02(2)(c) and (d) and the disclaimer required under Rule 17.02(4) of the Listing Rules; and
- (iv) the information required under Rule 2.17 of the Listing Rules.

(h) Restrictions on the time of grant of options

A grant of options shall not be made after inside information has come to the knowledge of our Company until it has been published pursuant to the requirements of the Listing Rules and Part XIVA of the SFO. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:

- (i) the date of the Board meeting (as such date to first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our annual results or our results for half-year, quarterly or other interim period (whether or not required under the Listing Rules); and
- (ii) the deadline for our Company to publish an announcement of our annual results or our results for half-year, or quarterly or other interim period (whether or not required under the Listing Rules),

and ending on the date of actual publication of the results for such year, half-year, quarterly or interim period (as the case may be) and where an option is granted to a Director, no options shall be granted:

- (iii) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and

- (iv) during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(i) Rights are personal to grantee

An option and offer to grant an option is personal to the grantee and shall not be transferrable or assignable. No grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option held by him or any offer relating to the grant of an option made to him or attempt so to do (save that the grantee may nominate a nominee in whose name our Shares issued pursuant to the Share Option Scheme may be registered). Any breach of the foregoing shall entitle our Company to cancel any outstanding options or any part thereof granted to such grantee.

(j) Time of exercise of option and duration of the Share Option Scheme

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the Listing Date. Subject to earlier termination by our Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years from the Listing Date.

(k) Performance target

A grantee may be required to achieve any performance targets as the Board may then specify in the grant before any options granted under the Share Option Scheme can be exercised.

(l) Rights on ceasing employment or death

If the grantee of an option ceases to be an employee of our Company or any of our subsidiaries:

- (i) by any reason other than death or termination of his employment on the grounds specified in paragraph (m) below, the grantee may exercise the option up to the entitlement of the grantee as at the date of cessation (which date shall be the last actual working day with our Company or the relevant subsidiary whether salary is paid in lieu of notice or not) (to the extent not already exercised) within a period of one month from such cessation; or
- (ii) by reason of death, his personal representative(s) may exercise the option in full (to the extent not already exercised) within a period of 12 months from the date of death.

(m) Rights on dismissal

If the grantee of an option ceases to be an employee of our Company or any of our subsidiaries on the grounds that he has been guilty of serious misconduct, or in relation to an employee of our Group (if so determined by the Board) on any other ground on which an employee would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group, or has been convicted of any criminal offence involving his integrity or honesty, his option will lapse and not be exercisable after the date of termination of his employment.

(n) Rights on takeover

If a general offer is made to all our Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror (as defined in the Takeovers Codes)) and such offer becomes or is declared unconditional during the option period of the relevant option, the grantee of an option shall be entitled to exercise the option in full (to the extent not already exercised) at any time within 14 days after the date on which the offer becomes or is declared unconditional.

(o) Rights on winding-up

In the event a notice is given by our Company to our members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall forthwith give notice thereof to all grantees and thereupon, each grantee (or his legal personal representative(s)) shall be entitled to exercise all or any of his options (to the extent not already exercised) at any time not later than two business days prior to the proposed general meeting of our Company referred to above by giving notice in writing to our Company, accompanied by a remittance or payment for the full amount of the aggregate subscription price for our Shares in respect of which the notice is given, whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting, allot the relevant Shares to the grantee credited as fully paid and register the grantee as holder thereof.

(p) Rights on compromise or arrangement between our Company and our members or creditors

If a compromise or arrangement between our Company and our members or creditors is proposed for the purposes of a scheme for the reconstruction of our Company or its amalgamation with any other companies pursuant to the laws of jurisdictions in which our Company was incorporated, our Company shall give notice to all the grantees of the options on the same day as it gives notice of the meeting to its members or creditors summoning the meeting to consider such a compromise or arrangement and any grantee may by notice in writing to our Company accompanied by a remittance or payment for

the full amount of the aggregate subscription price for our Shares in respect of which the notice is given (such notice to be received by our Company not later than two business days prior to the proposed meeting), exercise the option to its full extent or to the extent specified in the notice and our Company shall as soon as possible and in any event no later than the business day immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise of the option credited as fully paid and register the grantee as holder thereof.

With effect from the date of such meeting, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. If for any reason such compromise or arrangement does not become effective and is terminated or lapses, the rights of grantees to exercise their respective options shall with effect from such termination be restored in full but only upon the extent not already exercised and shall become exercisable.

(q) Ranking of Shares

Our Shares to be allotted upon the exercise of an option will not carry voting, dividend or other rights until completion of the registration of the grantee (or any other person nominated by the grantee) as the holder thereof. Subject to the aforesaid, Shares allotted and issued on the exercise of options, subject to the provisions of the articles of association of the Company, will carry the same right in all respects and shall have the same voting, dividend, transfer and other rights, including those arising on liquidation as attached to the other fully-paid Shares in issue on the date of issue and rights in respect of any dividend or other distributions paid or made on or after the date of issue. For the avoidance of doubt, Shares issued upon the exercise of an option shall not be entitled to any rights attaching to Shares by reference to a record date preceding the date of allotment.

(r) Effect of alterations to capital

In the event of any alteration in the capital structure of our Company whilst any option may become or remains exercisable, whether by way of capitalisation issue, rights issue, open offer, consolidation, sub-division or reduction of share capital of our Company, or otherwise howsoever, such corresponding alterations (if any) shall be made in the number or nominal amount of Shares subject to any options so far as unexercised and/or the subscription price per Share of each outstanding option as the auditors of our Company or an independent financial adviser shall certify in writing to the Board to be in their/his opinion fair and reasonable in compliance with Rule 17.03(13) of the Listing Rules and the note thereto and the supplementary guidance issued by the Stock Exchange on 5 September 2005 and any future guidance and interpretation of the Listing Rules issued by the Stock Exchange from time to time and the note thereto. The capacity of the auditors of our Company or the approved independent financial adviser, as the case may be, in this paragraph is that of experts and not arbitrators and their certificate shall, in absence of manifest error, be final and conclusive and binding on our Company and the grantees.

Any such alterations will be made on the basis that a grantee shall have the same proportion of the issued share capital of our Company for which any grantee of an option is entitled to subscribe pursuant to the options held by him before such alteration and the aggregate subscription price payable on full exercise of any option is to remain as nearly as possible the same (and in any event not greater than) as it was before such event. No such alteration will be made the effect of which would be to enable a Share to be issued at less than its nominal value. The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations.

(s) *Expiry of option*

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (i) the date of expiry of the option as may be determined by the Board;
- (ii) the expiry of any of the periods referred to in paragraphs (l), (m), (n), (o) or (p);
- (iii) the date on which the scheme of arrangement of our Company referred to in paragraph (p) becomes effective;
- (iv) subject to paragraph (o), the date of commencement of the winding-up of our Company;
- (v) the date on which the grantee ceases to be an Eligible Participant by reason of such grantee's resignation from the employment of our Company or any of our subsidiaries or the termination of his employment or contract on any one or more of the grounds that he has been guilty of serious misconduct, or has been convicted of any criminal offence involving his integrity or honesty, or in relation to an employee of our Group (if so determined by the Board), or has been insolvent, bankrupt or has made compositions with his creditors generally or any other ground on which an employee would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group. A resolution of the Board to the effect that the employment of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive; or
- (vi) the date on which the Board shall exercise our Company's right to cancel the option at any time after the grantee commits a breach of paragraph (i) above or the options are cancelled in accordance with paragraph (u) below.

(t) Alteration of the Share Option Scheme

The Share Option Scheme may be altered in any respect by resolution of the Board except that:

- (i) any alteration to the advantage of the grantees or the Eligible Participants (as the case may be) in respect of the matters contained in Rule 17.03 of the Listing Rules; and
- (ii) any material alteration to the terms and conditions of the Share Option Scheme or any change to the terms of options granted,

shall first be approved by our Shareholders in general meeting provided that if the proposed alteration shall adversely affect any option granted or agreed to be granted prior to the date of alteration, such alteration shall be further subject to the grantees' approval in accordance with the terms of the Share Option Scheme. The amended terms of the Share Option Scheme shall still comply with Chapter 17 of the Listing Rules and any change to the authority of the Board in relation to any alteration to the terms of the Share Option Scheme must be approved by Shareholders in general meeting.

(u) Cancellation of options

Subject to paragraph (i) above, any cancellation of options granted but not exercised must be approved by the grantees of the relevant options in writing. For the avoidance of doubt, such approval is not required in the event any option is cancelled pursuant to paragraph (m).

(v) Termination of the Share Option Scheme

Our Company may by resolution in general meeting or the Board at any time terminate the Share Option Scheme and in such event no further option shall be offered but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(w) Administration of the Board

The Share Option Scheme shall be subject to the administration of the Board whose decision as to all matters arising in relation to the Share Option Scheme or its interpretation or effect (save as otherwise provided herein) shall be final and binding on all parties.

(x) Condition of the Share Option Scheme

The Share Option Scheme is conditional on:

- (i) the Listing Committee of the Stock Exchange granting the approval for the listing of and permission to deal in our Shares which may fall to be issued pursuant to the exercise of options to be granted under the Share Option Scheme;
- (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any such condition(s)) and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise; and
- (iii) the commencement of dealings in our Shares on the Stock Exchange.

If the conditions in paragraph (x) above are not satisfied within two calendar months from the Adoption Date:

- (i) the Share Option Scheme shall forthwith determine;
- (ii) any option granted or agreed to be granted pursuant to the Share Option Scheme and any offer of such a grant shall be of no effect; and
- (iii) no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Share Option Scheme or any option granted thereunder.

(y) Disclosure in annual and interim reports

Our Company will disclose details of the Share Option Scheme in our annual and interim reports including the number of options, date of grant, exercise price, exercise period and vesting period during the financial year/period in the annual/interim reports in accordance with the Listing Rules in force from time to time.

(z) Present status of the Share Option Scheme

As at the Latest Practicable Date, no option had been granted or agreed to be granted under the Share Option Scheme.

Application has been made to the Listing Committee of the Stock Exchange for the approval for the listing of and permission to deal in our Shares which may fall to be issued pursuant to the exercise of the options to be granted under the Share Option Scheme, being 50,000,000 Shares in total.

2. Tax and other indemnities

Our Controlling Shareholders have entered into a deed of indemnity in favour of our Company (for ourselves and as trustee for our subsidiaries) (being the contract referred to in paragraph (a) of “B. Information about our business – 1. Summary of material contracts” above in this Appendix) to provide indemnities on a joint and several basis in respect of, among other matters, taxation resulting from income, profits or gains earned, accrued or received as well as any estate duty to which any member of our Group may be subject and payable on or before the date when the Global Offering becomes unconditional.

3. Litigation

As at the Latest Practicable Date, we were not aware of any litigation or arbitration proceedings of material importance pending or threatened against us or any of our Directors that could have a material adverse effect on our financial condition or results of operations.

4. Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus (including any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme).

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

The Sole Sponsor’s fees are HK\$5.0 million and are payable by our Company.

5. Preliminary expenses

The preliminary expenses incurred and paid by our Company were approximately US\$6,400.

6. Promoter

Our Company has no promoter for the purpose of the Listing Rules. Within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus.

7. Taxation of holders of Shares**(a) Hong Kong**

The sale, purchase and transfer of Shares registered with our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty, the current rate charged on each of the purchaser and seller is 0.1% of the consideration of, if higher, of the fair value of the Shares being sold or transferred. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax. Our Directors have been advised that no material liability or estate duty under the laws of Macau, China or Hong Kong would be likely to fall upon any member of our Group.

(b) Cayman Islands

Under the present Cayman Islands law, there is no stamp duty payable in the Cayman Islands on transfers of Shares so long as our Company does not hold any interest in land in the Cayman Islands.

(c) Consultation with professional advisers

Intending holders of the Shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications or subscribing for, purchasing, holding or disposing of or dealing in the Shares. It is emphasised that none of our Company, our Directors or the other parties involved in the Global Offering can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares or exercise of any rights attaching to them.

8. Qualification of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualifications
Innovax Capital Limited	Licensed corporation permitted to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Deloitte Touche Tohmatsu	Certified Public Accountants Registered Public Interest Entity Auditors
FCLaw Lawyers & Private Notaries	Legal advisers to our Company as to Macau law
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Frost & Sullivan Limited	Industry consultant

9. Consents of experts

Each of the experts named in paragraph 8 of this Appendix has given and has not withdrawn its respective written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or opinion and/or the references to its name included herein in the form and context in which it is respectively included.

10. Interests of experts in our Company

None of the persons named in paragraph 8 of this Appendix is interested beneficially or otherwise in any Shares or shares of any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any shares or securities in any member of our Group.

11. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

12. Particulars of the Selling Shareholders

The particulars of the Selling Shareholders are set out as follows:

(a) Name	:	One Wesco Inc.
Description	:	Corporation
Registered Address	:	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands
Nature of business	:	Investment holding
Number of Sale Shares to be sold	:	13,650,000

- (b) Name : Bridge Capital Limited
- Description : Corporation
- Registered Address : Vistra Corporate Services Centre, Ground Floor
NPF Building, Beach Road, Apia, Samoa
- Nature of business : Investment holding
- Number of Sale Shares : 8,250,000
to be sold

13. Miscellaneous

- (a) Save as disclosed in “History, Reorganisation and corporate structure”, “Future plans and use of proceeds” and “Underwriting” in this prospectus, within the two years immediately preceding the date of this prospectus:
- (i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;
 - (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries; and
 - (iv) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of our subsidiaries;
- (b) there are no founder, management or deferred shares nor any debentures in our Company or any of our subsidiaries;
- (c) our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 29 February 2020 (being the date which the latest audited consolidated financial information of our Group were made up);
- (d) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus;

- (e) the principal register of members of our Company will be maintained in the Cayman Islands by Conyers Trust Company (Cayman) Limited and a branch register of members of our Company will be maintained in Hong Kong by Tricor Investor Services Limited. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Hong Kong Branch Share Registrar and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable the Shares to be admitted to CCASS;
- (f) no company within our Group is presently listed on any stock exchange or traded on any trading system;
- (g) our Directors have been advised that under Cayman Islands law the use of a Chinese name by our Company in conjunction of our English name does not contravene Cayman Islands law; and
- (h) save as disclosed in “Financial information” in this prospectus, our Company has no outstanding convertible debt securities or debentures.

14. Bilingual prospectus

The English and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) a copy of each of the **WHITE**, **YELLOW** and **GREEN** Application Forms;
- (b) the written consents referred to in “D. Other information – 9. Consents of experts” in Appendix IV to this prospectus;
- (c) a copy of each of the material contracts referred to in “B. Information about our business – Summary of material contracts” in Appendix IV to this prospectus; and
- (d) a statement of the particulars of the Selling Shareholders referred to in “D. Other information – 12. Particulars of the Selling Shareholders” in Appendix IV to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Sidley Austin at 39/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and the Articles;
- (b) the Accountants’ Report from Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this prospectus;
- (c) the report from Deloitte Touche Tohmatsu in respect of the unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;
- (d) the audited consolidated financial statements of our Group for the three years ended 31 December 2019 and the two months ended 29 February 2020;
- (e) the letter of advice from Conyers Dill & Pearman, our Cayman Islands legal advisers, summarising certain aspects of the company law of the Cayman Islands referred to in “Summary of the constitution of our Company and Cayman Islands company law” in Appendix III to this prospectus;
- (f) the Cayman Companies Law;
- (g) the legal opinions issued by FCLaw Lawyers & Private Notaries, our Macau legal advisers in respect of our Group’s business operations and property interests in Macau;

- (h) the material contracts referred to in “B. Information about our business – 1. Summary of material contracts” in Appendix IV to this prospectus;
- (i) the service agreements and letters of appointment with each of the Directors referred to in “C. Further information about Directors and substantial shareholders – 1. Directors – (b) Particulars of service contracts” in Appendix IV to this prospectus;
- (j) the written consents referred to in “D. Other information – 9. Consents of experts” in Appendix IV to this prospectus;
- (k) the rules of the Share Option Scheme;
- (l) the Industry Report; and
- (m) a statement of the particulars of the Selling Shareholders referred to in “D. Other information – 12. Particulars of the Selling Shareholders” in Appendix IV to this prospectus.



Macau E&M Holding Limited
濠江機電控股有限公司