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Macau E&M Holding Limited

濠江機電控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1408)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

The board (the “**Board**”) of directors (the “**Directors**”) of Macau E&M Holding Limited (the “**Company**”) is pleased to present the audited consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 December 2020 (the “**Year**”), together with the comparative results for the year ended 31 December 2019 (“**FY 2019**”) as follows:

FINANCIAL HIGHLIGHTS

(in Macau Pataca (“**MOP**”) thousand, unless otherwise stated)

	2020	2019
Revenue	276,790	237,680
Gross profit	59,831	53,097
Profit for the year	26,673	40,538
Earnings per share (MOP cents)	6.23	10.21
Bank balances and cash (including short-term bank deposits and pledge bank deposits)	153,483	36,748
Total equity	210,172	102,431
Current ratio	4.9 times	2.6 times
Aggregate value of contracts on hand yet to complete	233,336	199,496

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December

	NOTES	2020 MOP'000 (Audited)	2019 MOP'000 (Audited)
Revenue	3	276,790	237,680
Cost of services		<u>(216,959)</u>	<u>(184,583)</u>
Gross profit		59,831	53,097
Other income		1,023	11
Impairment loss under expected credit loss model, net of reversal		25	(183)
Administrative expenses		(15,899)	(6,863)
Finance costs		(81)	(68)
Listing expenses		<u>(15,135)</u>	<u>–</u>
Profit before tax		29,764	45,994
Income tax expense	4	<u>(3,091)</u>	<u>(5,456)</u>
Profit and total comprehensive income for the year		<u><u>26,673</u></u>	<u><u>40,538</u></u>
Basic and diluted earnings per share (MOP cents)	5	<u><u>6.23</u></u>	<u><u>10.21</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December

	<i>NOTES</i>	2020 <i>MOP'000</i> (Audited)	2019 <i>MOP'000</i> (Audited)
Non-current assets			
Property, plant and equipment		452	741
Right-of-use assets		1,483	1,249
Deposits	7	<u>13,838</u>	<u>–</u>
		<u>15,773</u>	<u>1,990</u>
Current assets			
Contract assets	6	51,371	76,915
Trade and other receivables	7	40,218	50,820
Pledged bank deposits		–	2,710
Short-term bank deposits		62,651	–
Bank balances and cash		<u>90,832</u>	<u>34,038</u>
		<u>245,072</u>	<u>164,483</u>
Current liabilities			
Contract liabilities	8	11,180	30,651
Trade and other payables	9	32,557	17,557
Lease liabilities		1,018	638
Tax liabilities		<u>5,604</u>	<u>14,532</u>
		<u>50,359</u>	<u>63,378</u>
Net current assets		<u>194,713</u>	<u>101,105</u>
Non-current liability			
Lease liabilities		<u>314</u>	<u>664</u>
Net assets		<u>210,172</u>	<u>102,431</u>
Capital and reserves			
Share capital		5,150	–*
Reserves		<u>205,022</u>	<u>102,431</u>
Total equity		<u>210,172</u>	<u>102,431</u>

* *less than MOP1,000*

NOTES:

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). Macau E&M Holding Limited is an immediate and ultimate holding company. 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 Hipodromo, 56-68, Edf. Ind. Lee Cheung, 13/D, Macau.

The Company is an investment holding company. The Company’s subsidiaries are principally engaged in electrical and mechanical (“**E&M**”) engineering service works in the Macau Special Administrative region of the PRC (“**Macau**”). The engineering works involve a combination of the supply and/or installation of (i) low voltage (“**LV**”) systems works; (ii) heating, ventilation and air-conditioning (“**HVAC**”) systems works; (iii) extra low voltage (“**ELV**”) systems works, and the relevant testing and commissioning thereof as well as management and monitoring of quality and delivery of E&M engineering services works in Macau.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“**IFRSs**”)

The Group has applied all the IFRSs, International Accounting Standards, amendments and the related interpretations issued by the International Accounting Standards Board (“**IASB**”), which are effective for the annual periods on 1 January 2020 for both current and prior years for the preparation of the consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

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

For the purpose of resources allocation and performance assessment, the executive directors of the Company, being the chief operating decision maker, and the directors of the operating subsidiary, review the overall results and financial position of the Group. Accordingly, the Group has only one single operating segment and no further discrete financial information nor analysis of this single segment is presented.

Disaggregation of revenue from contracts with customers

	2020 <i>MOP'000</i> (Audited)	2019 <i>MOP'000</i> (Audited)
Revenue from construction contracts		
Electrical and mechanical engineering works	<u>272,519</u>	<u>232,755</u>
Provision of services		
Maintenance and repair services	<u>4,271</u>	<u>4,925</u>
	<u>276,790</u>	<u>237,680</u>
Timing of revenue recognition		
Over time	<u>276,790</u>	<u>237,680</u>

No analysis of the Group's assets and liabilities is disclosed as such information is not regularly provided to the CODM for review.

Geographical information

The Group's revenue is all derived from operations in Macau and the Group's non-current assets are all located in Macau.

4. INCOME TAX EXPENSE

	2020 <i>MOP'000</i> (Audited)	2019 <i>MOP'000</i> (Audited)
Current tax		
Macau Complementary Tax	5,605	5,456
Overprovision in prior years	<u>(2,514)</u>	<u>–</u>
	<u>3,091</u>	<u>5,456</u>

The Company was incorporated in the Cayman Islands and is exempted from income tax.

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

5. EARNINGS PER SHARE

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

	2020 <i>MOP' 000</i> (Audited)	2019 <i>MOP' 000</i> (Audited)
Earnings		
Earnings for the purpose of calculating basic earnings per share (profit for the year attributable to the owners of the Company)	<u>26,673</u>	<u>40,538</u>
	<i>' 000</i>	<i>' 000</i>
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share	<u>428,450</u>	<u>396,900</u>

The weighted average number of ordinary shares for the purpose of basic earnings per share has been adjusted for the capitalisation on 1 January 2019.

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

6. CONTRACT ASSETS

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

	2020 <i>MOP' 000</i> (Audited)	2019 <i>MOP' 000</i> (Audited)
Contract assets from contracts with customers	51,535	77,075
Less: allowance for credit losses	<u>(164)</u>	<u>(160)</u>
	<u>51,371</u>	<u>76,915</u>
Represented by:		
Electrical and mechanical engineering works (<i>Note</i>)	51,201	74,366
Maintenance and repair services	<u>170</u>	<u>2,549</u>
	<u>51,371</u>	<u>76,915</u>
Analysed as current		
Unbilled revenue	44,804	69,608
Retention receivables	<u>6,567</u>	<u>7,307</u>
	<u>51,371</u>	<u>76,915</u>

At 1 January 2019, contract assets amounted to MOP24,655,000.

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

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

Construction contracts

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

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

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

At 31 December 2020, retention money held by customers for contract works amounted to MOP6,567,000 (2019: MOP7,307,000). Retention money is unsecured, interest-free and recoverable at the end of the defect liability period of individual contract, ranging from one year to two years from the date of the completion of the respective projects.

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

	2020	2019
	MOP’ 000	MOP’ 000
Within one year	1,657	2,072
After one year	4,910	5,235
	<u>6,567</u>	<u>7,307</u>

At 31 December 2020, included in the Group’s retention money are debtors with a carrying amount of MOP1,009,000 (2019: MOP25,000), which are past due but not impaired. The Group does not hold any collateral over these balances.

7. TRADE AND OTHER RECEIVABLES

	2020 <i>MOP'000</i> (Audited)	2019 <i>MOP'000</i> (Audited)
Trade receivables	39,439	41,149
Less: allowance for credit losses	(129)	(158)
	39,310	40,991
Other debtors, deposits and prepayments		
– Deposits (<i>Note</i>)	14,002	6,162
– Prepayments	506	347
– Deferred share issue costs	–	3,320
– Other receivables	238	–
	14,746	9,829
Total trade and other receivables	54,056	50,820
Analysed as:		
Current	40,218	50,820
Non-current	13,838	–
	54,056	50,820

At 1 January 2019, trade receivables from contracts with customer amounted to MOP56,123,000.

The Group allows an average credit period of 0 to 60 days to its customers. The aging analysis of the Group's trade receivables at gross amount based on invoice date at the end of each reporting period are as follows:

	2020 <i>MOP'000</i> (Audited)	2019 <i>MOP'000</i> (Audited)
0 – 30 days	20,196	23,090
31 – 60 days	969	8,871
61 – 90 days	1,175	648
Over 90 days	17,099	8,540
	39,439	41,149

As at 31 December 2020, included in the Group's trade receivables balance are debtors with an aggregate carrying amount of MOP19,243,000 (2019: MOP18,059,000) which are past due as at the reporting date. Out of the past due balances approximately MOP13,210,000 (2019: MOP4,173,000) 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.

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

8. CONTRACT LIABILITIES

The contract liabilities arising from electrical and mechanical engineering works are as follows:

	2020 MOP' 000 (Audited)	2019 <i>MOP' 000</i> (Audited)
Contract liabilities from contract with customers	11,180	30,651

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

	2020 MOP' 000 (Audited)	2019 <i>MOP' 000</i> (Audited)
Revenue recognised that was included in the contract liability balance at the beginning of the year	30,651	21,976

Construction contracts

When the Group receives upfront payments or cash advances before construction activities commence, contract liabilities will arise at the start of the relevant contracts, until the revenue recognised on such relevant contracts exceeds the amount of the cash advances.

9. TRADE AND OTHER PAYABLES

	2020 MOP' 000 (Audited)	2019 <i>MOP' 000</i> (Audited)
Trade payables	19,498	9,616
Other payables and accrued charges		
– Accrued staff bonus	4,100	3,555
– Other payables and accruals	8,959	4,386
	32,557	17,557

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

	2020 MOP' 000 (Audited)	2019 <i>MOP' 000</i> (Audited)
0 – 90 days	19,498	7,500
91 – 365 days	–	1,167
1 – 2 years	–	949
	19,498	9,616

10. DIVIDENDS

No dividend have been paid or proposed for the year ended 31 December 2020 and 2019, nor has any dividend been proposed since the end of the reporting period.

CHAIRMAN'S STATEMENT

Dear Shareholders,

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

The global economy experienced numerous challenges during 2020 owing to the COVID-19 pandemic where Macau's economy has been inevitably affected. During the pandemic, many countries and regions implemented quarantine arrangements, entry-exit bans, or other travel restrictions for citizens and travellers in order to combat the spread of COVID-19. In addition, the public health measures and 15-day casino shutdown imposed by the Macau Government led to a significant decrease in the number of tourists visiting Macau. Despite various unprecedented challenges and uncertainties, which had led to a slow down of the Group's overall project progress, the Group did not experience any significant project suspensions or delays. The Group's revenue for the Year amounted to MOP276.8 million, an increase of approximately 16.5% as compared with MOP237.7 million for the corresponding year.

Throughout the past year, the Group has continued to focus its efforts on projects at hand while proactively submitting project tenders in order to capture new opportunities and minimise the negative impacts of the COVID-19 pandemic. As a result, the Group successfully secured two tender projects over MOP100 million during the Year. With the increase in new public sector projects, the Group is optimistic about the development of the E&M industry in the next few years. Moving forward, we will step up our efforts in exploring new opportunities and will strive to negotiate and tender new projects in 2021. We are dedicated to execute strategies that will enable the Group's long-term growth.

Stepping into 2021, we are expecting another potentially challenging year for the whole Macau economy, as the COVID-19 pandemic has not yet subsided and the detrimental effects it has had on Macau's tourism industry over the past year are still very evident. However, we believe that the E&M industry is not as fragile as the retail and gaming sectors, given that the Macau government has launched various new construction projects and the number of casinos committing to renovation and alteration works has also increased during the past two years. This surge in both public and private sector projects will directly benefit the entire construction industry. Furthermore, the rebound in visitor numbers since August 2020 and the recently introduced government policies, including the relaxation of quarantine requirements for tourists from China and the vaccination rollout in February 2021, will aid in the recovery of the Macau economy.

Last but not least, on behalf of the Board and management, I would like to take this opportunity to thank all of the shareholders, investors, customers and partners for their unflinching support of the Group. I would also like to extend my sincere appreciation to all staff for their relentless effort, as well as their outstanding contributions to the Group's development during the year.

CHEONG Ka Wo

Chairman, CEO and Executive Director

26 March 2021

MANAGEMENT DISCUSSION & ANALYSIS

COMPANY OVERVIEW

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

BUSINESS REVIEW

2020 was a challenging time for the global market, with the outbreak of COVID-19 affecting economies, tourism and trade across the globe. During the first half of 2020, Macau's economy was negatively impacted by the COVID-19 pandemic. Following confirmation of the first case of COVID-19 in January 2020, the Macau Government implemented various public health measures, in addition to entry-exit restrictions and a 15-day shutdown of casinos. The quarantine requirements in Macau were tightened further in late March 2020 in order to impede the spread of COVID-19. The number of visitors decreased dramatically as a result of these precautionary measures, greatly affecting the region's retail industry, as well as its gaming and entertainment sectors. During the second half of 2020, Macau's pandemic situation was under control and, supported by the relaxation of border controls, tourist arrivals gradually increased. Fortunately, as an E&M engineering services works contractor, the Group has not been materially affected by the pandemic as the E&M industry was not as sensitive to its impact as other industries.

The Group has continued to explore new opportunities in order to broaden its customer base and enhance business development during the pandemic. As of 31 December 2020, the Group has 42 contracts on hand with a total backlog of approximately MOP233 million of which 11 are public sector projects and the rest are private sector projects which cover industries of luxury casino & resorts, education and food and beverage corporation. In addition, the Group has continued to submit new project tenders to achieve revenue growth. The Group successfully secured two large tender projects which are over MOP100 million during the year, including Studio City Phase 2 ELV Works and mechanical, electrical and plumbing (“MEP”) Works for NUWA Guestroom and Villa Renovation.

During the pandemic, except three E&M projects were temporarily suspended for a period of approximately one or two weeks due to voluntary project suspension of the customers, the Group did not experience any suspension in other projects. However, the Group experienced a delay in the overall project progress in certain projects in the second half of the year of 2020, resulting part of the scheduled works of these projects which were expected to be completed in the year of 2020 to be rescheduled to be completed in the year of 2021. Despite of the delay of the overall project progress, the Group’s revenue increased by approximately 16.5% to MOP276.8 million (2019: MOP237.7 million). The gross profit increased by 12.7% to MOP59.8 million (2019: MOP 53.1 million) and the gross profit margin was 21.6%.

Despite the delay of the overall project progress as mentioned above, the Group remains in a healthy financial position. As at 31 December 2020, the Group had cash and bank balances (including short-term bank deposits) of MOP153.5 million and the net current assets approximately to MOP194.7 million.

FINANCIAL REVIEW

Revenue

The following table sets forth a breakdown of the Group’s revenue for the year ended 31 December 2020 and 2019:

	2020		2019	
	<i>MOP’000</i> (Audited)	%	<i>MOP’000</i> (Audited)	%
E&M engineering works	272,519	98.4	232,755	97.9
Maintenance and repair services	4,271	1.6	4,925	2.1
	276,790	100.0	237,680	100.0

The Group recorded revenue of MOP276.8 million for the Year, which represented a year-on-year increase of 16.5% (2019: MOP237.7 million), the increase mainly contributed by two projects regarding LV system works & ELV systems works for an integrated urban casino resort located in Cotai, Macau.

Gross profit

The following table sets forth a breakdown of the Group's gross profit and gross margin for the year ended 31 December 2020 and 2019:

	2020		2019	
	Gross profit <i>MOP'000</i> (Audited)	Gross margin %	Gross profit <i>MOP'000</i> (Audited)	Gross margin %
E&M engineering works	59,332	21.8	51,722	22.2
Maintenance and repair services	499	11.7	1,375	27.9
	59,831	21.6	53,097	22.3

The Group recorded a gross profit of MOP59.8 million for the Year, which represented a year-on-year increase of 12.7% (2019: MOP53.1 million), which was primarily attributable to the increase in contract revenue during the Year.

The Group's gross profit margin was 21.6% for the Year, which was slightly decreased as compared with FY 2019 at 22.3%. Since the overall project progress has been slowed down due to the indirect influence from COVID-19, even the project margin has not been affected significantly, the longer project period would cause increase in the project overhead cost. As such the overall profit margin dropped by 0.7% during the Year.

Other income

Other income increased by MOP1.0 million (2019: MOP11,000). The increase was mainly attributable to the interest income arising from bank time deposits and the one off government grants in respect of COVID-19 related subsidy for business provided by Macau government.

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

The Group's impairment losses of trade receivables and contract assets were MOP0.3 million for the Year, with the reversal of same ECL provision, the net impact in current year is immaterial. The Group applied a simplified approach to measure ECL which uses a lifetime ECL for all trade receivables and contract assets. To measure the ECL, the Group has estimated the expected loss rates for the trade receivables and the contract assets on the same basis.

Administrative expenses

Administrative expenses increased by MOP9.0 million or 131.7% for the Year (2019: MOP6.9 million) where the increase was mainly attributable to additional professional and administrative costs associated with the listing of the Company's shares on the Stock Exchange on 11 September 2020 (the "Listing") and the increase of salary and staff welfare expenses.

Income tax expense

Income tax expense decreased by MOP2.4 million or 43.3% to MOP3.1 million for the Year, mainly due to (i) a written back of the prior year tax over provision of MOP2.5 million; and (ii) a decrease of profit before tax as a result of the increase in the administrative expenses.

Profit for the Year

The Group's profit for the Year decreased by MOP13.9 million or 34.2%, which was primarily attributable to (i) the combined effect of the abovementioned items; and (ii) listing expenses of MOP15.1 million which have been recognised for the Year (2019: Nil). Excluding the listing expenses for the Year, the profit for the Year would have increased by MOP1.3 million or 3.1% as compared with FY 2019.

LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group adopts a prudent approach in cash management to minimise financial and operational risks. The Group's operations mainly rely on internally generated cash flows and proceeds raised from the Listing.

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

As at 31 December 2020, the Group had net current assets of MOP194.7 million (2019: MOP101.1 million). The current ratio of the Group at 31 December 2020 was 4.9 times (2019: 2.6 times).

The Group has maintained a healthy liquidity position. As at 31 December 2020, the Group had total cash and bank balances (including short-term bank deposits and pledge bank deposits) of MOP153.5 million (2019: MOP36.7 million).

As at 31 December 2020, the Group had no bank borrowings (2019: Nil).

As at 31 December 2020, the Group's share capital and reserve amounted to MOP5.2 million and MOP205.0 million, respectively (2019: MOP0.1 million and MOP102.4 million, respectively).

FOREIGN EXCHANGE EXPOSURE

The Group's business transactions, assets and liabilities are principally denominated in Hong Kong dollars ("HK\$") and MOP. As at 31 December 2020, the Group had no exposure to foreign exchange contracts, interest, currency swaps or other financial derivatives.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS OR DISPOSALS, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

Save as disclosed in the below section headed “Use of Net Proceeds from the Global Offering” in the prospectus of the Company dated 31 August 2020 (the “**Prospectus**”), the Group had no future plan for material investments or capital assets as at 31 December 2020.

USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

The net proceeds raised from the Listing were HK\$51.6 million (equivalent to approximately MOP53.1 million) after deducting underwriting fees and commissions and all related expenses. Details of the proposed applications of such net proceeds are disclosed in “Future Plans and Use of Proceeds” of the Prospectus.

The following table sets out the proposed usage of the net proceeds in the manner as disclosed in the Prospectus and the actual usage up to 31 December 2020:

	Proposed usage in the manner as disclosed in the Prospectus (HK\$ million)	Actual usage up to 31 December 2020 (HK\$ million)
Funding part of the specific material costs & the upfront expenditure	32.8	25.2
Financing the issuance of performance bonds	11.4	11.4
Recruiting additional skilled professionals & labour	5.7	0.1
Acquiring additional construction machineries & equipment	1.7	0
	<u>51.6</u>	<u>36.7</u>

As the Group experienced a delay in the overall project progress in certain projects in the second half of the year of 2020. Correspondingly, the Group has postponed recruiting additional professionals and labour and acquisition of additional construction machineries and equipment to the year 2021.

PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2020, the Group has no pledged bank deposits (2019: MOP2.7 million), that were pledged with banks as security of credit facilities. This credit facilities were secured by the promissory notes of approximately MOP5,673,000 (2019: MOP13,616,000).

Save as disclosed above, the Group had no other pledged assets or other significant contingent liabilities as at 31 December 2020 and 31 December 2019.

COMMITMENTS

As at 31 December 2020 and 2019, the Group did not have any significant capital commitments.

EMPLOYEES AND REMUNERATION POLICY

The Group entered into labour contracts with its employees in labour laws of Macau. The remuneration package offered to employees generally includes basic salaries, allowances, benefits-in-kind and bonus. In general, the Group determines package of its employees based on each employee's qualification, position and seniority.

As a main contractor for some of the projects we undertake, we apply for work permits for our non-Macau resident workers on a project-by-project basis. As at 31 December 2020, the Group had 73 (2019: 71) employees in Macau, comprising 43 Macau residents and 30 non-Macau residents (2019: 43 Macau residents and 28 non-Macau residents).

The Company has adopted a share option scheme (the “**Share Option Scheme**”) on 11 September 2020, which was effective upon the Listing. The purpose of the Share Option Scheme is to recognise and acknowledge the contributions that the eligible participants had or may have made to the Group. Since the adoption of the Share Option Scheme and up to 31 December 2020, no share option had been granted under the Share Option Scheme.

PROSPECTS

2021 is likely to be another challenging year for the whole Macau economy. The COVID-19 pandemic has not yet subsided, and the detrimental effects it has had on the Macau tourist industry over the past year are still very evident, particularly across the retail and gaming sectors. However, the Macau *Direcção dos Serviços de Estatística e Censos* (DSEC) (澳門統計暨普查局)¹ has noted that the number of visitors to the region began to bounce back in August 2020. Moreover, as of February 2021, the Macau Government has announced the relaxation of border controls, hence all visitors from China are exempt from quarantine. Also, vaccinations against COVID-19 have commenced since early February 2021. Both the rebound of visitor numbers and uptake in vaccines will be vital to the recovery of the Macau economy. Notwithstanding such developments, the E&M industry is less sensitive than the retail and gambling sectors. Construction projects will merely be postponed or will undergo cost-cutting if the Macau Government reintroduces precautionary measures to combat the spread of COVID-19.

Despite the economic recession, the Macau Government has launched various new construction projects. According to the *Macau Gabinete para o Desenvolvimento de Infra-estruturas* (澳門建設發展辦公室), there are 46 transport and public works projects that are worth more than MOP100 million each, with the total value exceeding MOP39.8 billion². There are more infrastructure projects to be launched in the coming years, including the extension of Macau light rapid transit and main road construction. In addition, casino operators have sped up their renovation and alteration works over the past two years in order to increase the non-gaming proportion of their business, with the aim of increasing their chances of renewing their licenses. For example, Galaxy Macau launched Galaxy Phase 4 of the value of MOP13.01 billion. Consequently, the surge in both government and private sector projects will directly benefit the entire construction industry.

The Group is diligent in grooming new opportunities and will strive to negotiate and tender new projects in 2021. Projects currently underway, alongside the newly tendering contracts and those under negotiation will help the Group to improve its financial performance and drive future growth. In addition, in order to strive for long-term growth, the Group is committed to continuously researching and purchasing new construction equipment in order to enhance productivity and improve cost effectiveness.

The Directors believe that, considering the Group's established track record in both the public and private sectors, the Group is well positioned to capture opportunities brought by a stable market, and thus achieve a better business performance in a long run.

FINAL DIVIDEND

The Board does not recommend the payment at a final dividend for the year ended 31 December 2020.

¹ According to DESC, the visitor numbers in April 2020 was 11,041. It then recorded a bounce back in August 2020, reached 636,351.

² A situação das obras com valor superior a cem milhões de patacas da tutela de Transportes e Obras Públicas (運輸工務範疇超過一億之工程的狀況) http://www.gdi.gov.mo/gdi/new_files/files/ob100m.pdf

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The annual general meeting of the Company is scheduled to be held on Friday, 21 May 2021. For determining the entitlement to attend and vote at the annual general meeting, the register of members of the Company will be closed from Monday, 17 May 2021 to Friday, 21 May 2021 (both days inclusive), during which period no share transfers will be registered. In order to be eligible to attend and vote at the above annual general meeting, all transfer forms accompanied by relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 14 May 2021.

CORPORATE GOVERNANCE PRACTICES

The Board and the management of the Company are committed to the maintenance of good corporate governance practices and procedures. The Board believes that good corporate governance standards are essential in providing a framework for the Company to safeguard the interests of shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

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

Since the Listing and up to 31 December 2020, the Group's corporate governance practices are in compliance with the CG Code except for the deviation from CG Code provision A.2.1. CG Code provision A.2.1 stipulates that the roles of the chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Cheong Ka Wo ("**Mr. Cheong**") is currently the chairman and chief executive officer of the Company. In view of the fact that Mr. Cheong has been assuming the responsibilities in the overall management and supervision of the daily operations of the Group since the establishment of Kento Engineering Co. Ltd. (a wholly-owned subsidiary of the Group) in January 2011, the Board believes that it is in the best interest of the Group to have Mr. Cheong taking up both roles for effective management and operations. Therefore, the Directors consider that the deviation from such code provision is appropriate. Notwithstanding the above, the Board is of the view that this management structure is effective for the Group's operations and sufficient checks and balances are in place.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 of the Listing Rules since the Listing as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiries of all the Directors, each of the Directors confirmed that he/she has complied with the required standards set out in the Model Code since Listing and up to 31 December 2020.

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

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

Since Listing, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.

AUDIT COMMITTEE

The Company has established the audit committee of the Board (the “**Audit Committee**”) with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the CG Code. The Audit Committee consists of three members, namely Mr. Law Lap Tak (the chairman of the Audit Committee), Ms. Lee Sze Ming and Mr. Chan Ming Kit, all being independent non-executive Directors. The Audit Committee is chaired by Mr. Law Lap Tak who has appropriate professional qualifications as required under Rule 3.10(2) of the Listing Rules.

The primary duties of the Audit Committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management system of the Group, to oversee the audit process and to perform other duties and responsibilities as assigned by the Board.

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

SCOPE OF WORK OF DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit and loss and other comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in this announcement have been agreed by the Group’s auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group’s audited consolidated financial statements for the Year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this announcement.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this announcement, there were no other important events affecting the Group that had occurred after 31 December 2020 and up to the date of this announcement.

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

This announcement is published on the Company's website at www.macauem.com and the Stock Exchange's website at www.hkexnews.hk. The 2020 annual report of the Company will be despatched to the shareholders of the Company and will be made available on the above websites in due course in accordance with the Listing Rules.

APPRECIATION

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

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

Hong Kong, 26 March 2021

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