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

ANNUAL REPORT

2020

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Cheong Ka Wo
(Chairman & Chief Executive Officer)
Mr. Leong Kam Leng

Independent Non-executive Directors

Mr. Chan Ming Kit
Mr. Law Lap Tak
Ms. Lee Sze Ming

BOARD COMMITTEES

Audit Committee

Mr. Law Lap Tak *(Chairman)*
Mr. Chan Ming Kit
Ms. Lee Sze Ming

Nomination Committee

Ms. Lee Sze Ming *(Chairlady)*
Mr. Chan Ming Kit
Mr. Law Lap Tak

Remuneration Committee

Mr. Chan Ming Kit *(Chairman)*
Mr. Law Lap Tak
Ms. Lee Sze Ming

COMPANY SECRETARY

Mr. Chan Yat Lui

AUTHORISED REPRESENTATIVES

Mr. Cheong Ka Wo
Mr. Chan Yat Lui

REGISTERED OFFICE

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

HEADQUARTER 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

HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL SHARE REGISTRAR

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants and
Registered Public Interest Entity Auditor
35/F One Pacific Place
88 Queensway
Hong Kong

LEGAL ADVISORS

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, No 61,
Edificio Circle Square,13 B-E
Macau

As to Cayman Islands law:
Conyers Dill & Pearman
Cricket Square Hutchins Drive
PO Box 2681 Grand Cayman
Cayman Islands

PRINCIPAL BANKERS

Bank of China (Hong Kong) limited
Bank of China, Macau Branch
Banco Nacional Ultramarino
China Guangfa Bank Co. Ltd, Macau Branch

COMPLIANCE ADVISER

Innovax Capital Limited
Room 2002, Chinachem Century Tower
178 Gloucester Road, Wanchai
Hong Kong

WEBSITE

www.macauem.com

STOCK CODE

1408

Chairman's Statement

Dear Shareholders,

On behalf of Macau E&M Holding Limited ("**Macau E&M**" or the "**Company**"), I hereby present the annual results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2020 (the "**Year**" or the "**Reporting Period**").

The global economy experienced numerous challenges during 2020 owing to the COVID-19 pandemic where economy Macau Special Administrative region ("**Macau**") of the People's Republic of China ("**PRC**") 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 vising 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 electrical and mechanical ("**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 (the "**Board**") of directors (the "**Directors**") of the Company 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 and Analysis

COMPANY OVERVIEW

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, 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 Group is principally engaged in 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 ("**LV**") systems works; (ii) heating, ventilation and air-conditioning ("**HVAC**") systems works; and (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. 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 and pledge 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 years ended 31 December 2020 and 2019:

	2020 MOP'000 (Audited)	**%**	2019 MOP'000 (Audited)	%
E&M engineering works	**272,519**	**98.5**	232,755	97.9
Maintenance and repair services	**4,271**	**1.5**	4,925	2.1
	276,790	**100.0**	237,680	100.0

The Group recorded a 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 years ended 31 December 2020 and 2019:

	2020		2019	
	Gross profit MOP'000 (Audited)	**Gross margin %**	Gross profit MOP'000 (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 the year ended 31 December 2019 ("**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 (the "**Listing**") of the Company's shares on the Stock Exchange on 11 September 2020 (the "**Listing Date**") 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.

Non-generally accepted accounting principles ("GAAP") financial measure

Net profit excluding the listing expense is a non-GAAP measure used by the management of the Group to provide additional information on its operating performance and is not a standard measure under IFRS. Such adjusted profit takes out the impact of listing expenses, which are non-recurring and not indicative for evaluating the actual performance of the Group's business. The management of the Group believes that such a non-GAAP measure provides additional information to investors and others in understanding and evaluating the consolidated results of operations in the same manner as the management of the Group. The definition of net profit excluding the listing expenses should not be considered in isolation or be construed as an alternative to profit for the year or any other standard measure under IFRS or as an indicator of operating performance. The adjusted profit of the Group may not be comparable to similarly titled measures used by other companies.

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).

GEARING RATIO

The gearing ratio of the Group as at 31 December 2020 was nil (31 December 2019: nil) as the Group had no outstanding loans and borrowings or bank overdrafts as at 31 December 2020. The gearing ratio is calculated as the borrowings divided by the total equity as at the end of the respective periods and multiplied by 100%.

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 the section headed "Future Plans and Use of Proceeds" in 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
	51.6	36.7

The specific material costs and the upfront expenditure had been used in accordance with the proposed usage in the manner as disclosed in the Prospectus, which the remaining balance will be contributed to the specific projects in the year 2021.

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 second half of year 2021.

PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2020, the Group had 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 the Group undertakes, it applies for work permits for its 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 adopted a share option scheme (the "**Share Option Scheme**") on 21 August 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 billion[2]. 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

Environmental, Social and Governance Report

INTRODUCTION

This is the first Environmental, Social and Governance ("**ESG**") Report (the "**ESG Report**") published by the Group. It has been prepared in both Chinese and English and is published on the websites of the Stock Exchange and the Company.

The Group is aware of the concerns of its stakeholders through its engagement with them and intends to address those concerns through this ESG Report. Unless otherwise stated, this ESG Report describes the Group's approach to sustainability management, initiatives and the performance of its offices, warehouses and project sites for the Reporting Period. The relevant environmental KPIs are further restricted to the Group's corporate offices and a warehouse in Macau. The Group will continue to improve its data collection system and expand the scope of data in the future.

This ESG Report complies with the "comply or explain" provisions as set out in the ESG Reporting Guide issued by the Hong Kong Exchanges and Clearing Limited (the "**HKEx**"). Four reporting principles, i.e. Materiality, Quantitative, Balance and Consistency, form the basis for its preparation.

Reporting Principles	Responses
Materiality	ESG issues material to the Group identified by the stakeholder engagement are the key disclosures in the ESG Report.
Quantitative	Quantified performance and its calculation methods were disclosed.
Balance	The ESG Report has been prepared in an impartial manner that clearly explains positive and negative influence to enable stakeholders to make a reasonable evaluation on the overall performance of the Group.
Consistency	Unanimous statistical method was used, and historical data was provided if possible for convenient comparison.

An index of the contents of HKEx ESG Reporting Guide is set out on pages 24 to 30.

Macau E&M is committed to maintaining relationships with the stakeholders with whom we interact on a regular basis. We are keen to hear your feedback and offer several ways for you to contact us regarding this ESG Report and related performance:

Email: info@macauem.com
Phone: (853) 2872 0006
Mail: Estrada Marginal do Hipódromo, No. 56-68, Edifício Industrial Lee Cheung, 13 Andar D, Macau

OUR APPROACH TO SUSTAINABILITY

Sustainability Governance

The Group believes that good corporate governance helps to oversee sustainability efforts and better protect the interests of its stakeholders. Ultimate responsibility for ESG rests with the Board. Its leadership and oversight of all major matters includes developing the Group's overall management and business strategies, revising risk management and internal control systems, overseeing the performance of senior management, and ensuring that all departments effectively manage sustainability matters.

Under the leadership of the Board, the Group is firmly committed to caring environment creation and employee development through sound management and prudent business practices, striving for making a positive impact on its many stakeholders, including employees, shareholders, clients and the public.

A long-term perspective is the key to success. To this end, the Group regularly identifies, monitors, evaluates and manages relevant sustainability risks, such as risks related to work safety, environmental protection and extreme weather. Against these risks, the Group provides safety guidelines and protective equipment to its employees; commits to continuously improving its environmental performance and minimising the environmental impacts of its operations, activities and services; and has future plan to establish a climate risk identification mechanism. The Group is also committed to identifying materials, processes, products and wastes that may cause pollution, and implementing measures to avoid, reduce or control pollutions where technically and economically viable.

Looking ahead, for more effective management of the Group's sustainability matters and reinforcement of the Board's accountability, the Group plans to establish an ESG Working Group whose main authorities include setting the Group's policies, measures and performance targets for sustainability, as well as preparing the annual ESG report.

Corporate Ethics

Corporate ethics is the foundation upon which the Group maintains accountable operations. The Group is committed to operating with integrity and in accordance with the highest ethical standards, preventing corruption through corporate governance, internal controls and risk management, and being continuously monitored by the Board. At the same time, the Group has adopted a number of policy measures, including the "Employee Handbook" (《員工手冊》) and "Code of Business Conduct and Ethics", to maintain standards in the areas of customer personal data privacy, conflicts of interest, employee integrity and anti-corruption.

All employees are required to observe the "Code of Ethics" (《職業道德守則》) and the relevant guidelines, which prohibit corruption and bribery, and must not negotiate or enter into any agreement on activities that may restrict competition. The Group plans to organise anti-corruption training programmes in the future to further ensure that employees are aware of applicable laws, regulations, Group policies and relevant guidelines related to their roles and responsibilities.

The Group has set up reporting channels. Employees can confidentially report any possible violation of this code of ethics without fear of retaliation.

Compliance Management

Each department proactively obtains up-to-date information on laws and regulations related to its work in a timely manner to ensure compliance with the Group's daily operations, so as to avoid fines or lawsuits due to non-compliance. The following are the laws and regulations that the Group has identified as having a significant impact to its operations and the compliance status for the Reporting Period.

Aspect	Laws and regulations that have a significant impact on the Group	Possible material impacts	Compliance status
Emissions	Law No. 2/91/M General Regulation of Public Place approved by Administrative Regulation no. 28/2004	The violation of relevant laws and regulations may result in administrative and economic penalties, and may also affect the progress of the project and damage the reputation of the Group.	During the Reporting Period, there were no violations of relevant laws and regulations that have a significant impact on the Group.
Employment	Law No. 7/2008 Law No. 21/2009	The violation of employment-related laws and regulations may lead to a large number of talent losses, face administrative penalties, and may lead to litigation cases.	During the Reporting Period, there were no violations of relevant laws and regulations that have a significant impact on the Group.
Health and safety	Decree Law No. 44/91/M Law No. 3/2014	The violation of health and safety-related laws and regulations can lead to administrative and financial penalties and affect project schedules. Safety incidents can threaten the safety of employees and lead to costly litigation.	During the Reporting Period, there were no violations of relevant laws and regulations that have a significant impact on the Group.
Labour standards	Law No.7/2008 Chief Executive's Dispatch No. 343/2008 Chief Executive's Dispatch No. 344/2008	The violation of relevant laws and regulations may result in administrative and economic penalties, and damage the Group's reputation.	During the Reporting Period, there were no violations of relevant laws and regulations that have a significant impact on the Group.
Product responsibility	Chief Executive's Dispatch No. 88/2010 Law No. 44/91/M Law No. 3/2014	The violation of relevant laws and regulations not only affects reputation and competitiveness in the market, but may also lead to administrative penalties, exposing the Group to high litigation and seriously affecting the Group's profitability.	During the Reporting Period, there were no violations of relevant laws and regulations that have a significant impact on the Group.
Anti-corruption	Law No. 19/2009	The violation of relevant laws and regulations can weaken the Group's ability to operate and damage its reputation.	During the Reporting Period, there were no corruption lawsuits against the Group or its employees, and no violations of relevant laws and regulations that have a significant impact on the Group.

Stakeholder Engagement

Macau E&M values the balance between the Group's business development and sustainable development. The participation of stakeholders is critical to achieving this balance. Stakeholder feedback helps adjust the Group's ESG-related policies and measures to respond to stakeholder expectations. The Group has set up and maintained various communications channels for different stakeholder groups, including employees, customers, investors, shareholders, suppliers and the public.

Apart from regular communication channels, the Group has also conducted an ESG survey to collect opinion from employees, management and external stakeholders, so that it can better assess the materiality of various ESG aspects.

The materiality assessment makes reference to the guidance of HKEx and the Global Reporting Initiative. In order to identify the most important topics in business, the Group conducts the comprehensive materiality assessment on an annual basis from the Reporting Period onwards. It takes into account global, regional and industry trends, regulatory requirements and expectations, and ESG issues relevant to the markets in which the Group operates. Topics are then prioritised based on engagement with internal and external stakeholders.

Identification

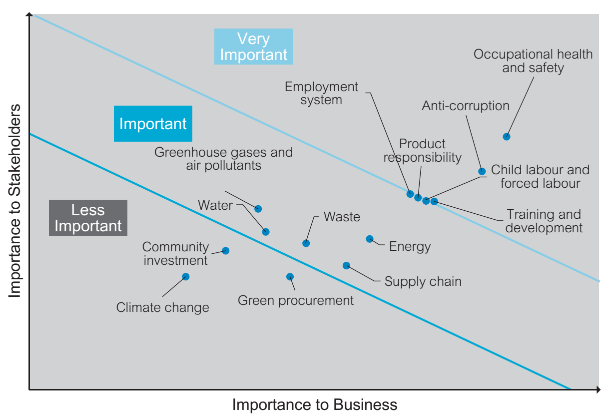
- Compiled a shortlist of 14 ESG issues by referencing the HKEx ESG Reporting Guide and international sustainability trends

Prioritisation

- Conducted survey to rate the importance of each relevant issue from a stakeholder and a business perspective
- Plotted a materiality matrix based on the average scores for each issue.

Validation

- Senior Management reviewed the materiality matrix and validated 6 materiality issues



Material Issues (in descending order of importance)
Occupational health and safety
Anti-corruption
Training and development
Employment system
Child labour and forced labour
Product responsibility

The ESG Report highlights the Group's efforts and performance on the six identified material issues (shown as "Very Important" in the matrix), and also describes the five sub-important issues that are mainly related to environmental protection and supply chain management. The Group will continue to collect opinions from stakeholders to continuously improve its ESG approach.

OUR COMMITMENTS

Developing Our People

For Macau E&M, employees are seen as one of the most important partners in expanding the Group's business. Therefore, the Group invests in creating a healthy, safe, fair and positive work environment where employees feel engaged, valued, and motivated.

Protecting the Health and Safety of Employees and Workers

Being in the construction industry, the Group takes the health and safety of its employees and subcontractor workers very seriously and are committed to providing a safe and healthy environment for all stakeholders. The commitment has been added in the "Work Site Safety Reference", which provides guidelines on fire prevention, manual work, construction materials and personal proactive equipment use. The site workers shall comply with the project requirements to obtain training certificates on occupational health and safety before entering the construction sites.

In order to properly respond to construction safety accidents, the Group has formulated the "Accident Handling Guide" (《事故處理指引》) to make orderly arrangements and reduce hazards in case of emergencies. Beyond this, the Group is mindful of the possible safety impact of social activities on employees and workers. For example, in response to the COVID-19 outbreak, the Group has put in place a contingency plan and adopted enhanced hygiene and precautionary measures to safeguard the occupational health and safety.

Regular reviews of the Group's policy and measures are conducted to ensure that health and safety is a priority in all circumstances and that all business activities are health and safety conscious. During the Reporting Period, two work injury incidents occurred, involving an employee and a subcontractor worker respectively. The causes of the incidents were both related to the cleanliness of the working environment and the safety awareness of the workers. The Group will continue to provide training to site workers to raise their awareness of potential health and safety risks.

Maintaining a Comprehensive Employment System

The Group compiled the "Employee Handbook" (《員工手冊》) to provide guidance regarding remuneration, dismissal, recruitment, promotion, working hours, holidays, equal opportunities, diversity, anti-discrimination, labour standards, benefits, and other aspects. Recruitment must be conducted in accordance with the "Employee Recruitment Procedures" (《員工招聘程序》). Based on the staffing demands approved by the Group, the Human Resources Department initiates the recruitment process, and signs an employment contract with each new employee, which covers terms such as salary, position and grounds of termination.

Discrimination is strictly prohibited, especially in recruitment, hiring, promotion or other human resources development processes. The anti-discrimination recruitment process ensures the Group's strategy and ability to attract diverse and qualified employees. It also signifies the Group's efforts to implement and encourage inclusive employment practices. The Group's employment practices do not discriminate on the basis of age, gender, religion, political affiliation, disability, marital and family status or any other status.

The Group has also taken steps to promote gender diversity at all levels. Being willing to give women the opportunity to apply for positions previously reserved for men, the Group has, for example, hired a woman this Reporting Period as a site handyman. In addition, the Group plans to invest more resources in training female employees who it believes have the experience, skills and knowledge appropriate to its business, so that there will be a pipeline of female senior management and potential successors to the Board in a few years' time.

Regarding the protection of human rights, the "Code of Ethics" (《職業道德守則》) states that the Group recognises the fundamental and universal nature of human rights in accordance with international agreements and treaties such as the United Nations International Human Rights Conventions and the International Labour Organization. Any form of child labour or forced labour is prohibited, and the Group shall not consent to such acts by third-party entities with which it does business.

If there is a suspected violation of the employment system or labour standards, employees can report it to their supervisors, human resources managers, or even submit a written complaint to the Board. During the Reporting Period, the Group did not receive any reports of employment-related misconduct, such as equal opportunity, discrimination, diversity, child labour and forced labour.

Investing in Training and Development

In addition to creating a work environment where employees feel engaged, valued and motivated, the Group also provides development opportunities to allow employees to grow within the company.

Employees should continuously strive to improve and update their knowledge and skills in accordance with the provisions of the Group's "Code of Ethics" (《職業道德守則》), and participate in the vocational training courses arranged by the Group. The Group is committed to identifying, appointing and developing talents according to the needs of business development through training and regular performance appraisals, continuously improving the talent structure and helping employees explore their personal development strategies.

These programmes allow employees to perform with higher efficiency, effectiveness, and accuracy. In addition, employees are also free to explore and request for external training sources. It is highly important to instill a continuous learning culture within the Group.

Except for the on-site safety training that every new employee is required to attend before starting work, the Group's employees also attended a number of other training sessions during the Reporting Period, with an average of 7.8 hours of training per employee.

Main Training Activities	Brief Introduction
Training Course on Power Quality organised by the Macao Institution of Electrical and Mechanical Engineers	At this training, the basics of power quality and solutions were outlined, including how to more accurately understand the relationship between system faults and power quality in daily work. In addition, the training provided an introduction and experience sharing on transition solutions for escalators in case of voltage dips.
A series of courses related to the impact of COVID-19 on various aspects offered by Deloitte	This series provided an introduction to the impact of COVID-19 on global trade, multinational corporations, and companies in China and India, and discussed how companies can respond to the ensuing tax, technology, labour and supply chain issues.

Driving Operational Excellence

The high quality of construction is the Group's business principle. The Group strictly controls the quality of works to protect the interests of its customers. At the same time, it is important for the Group to consider the impact of its decisions when selecting or engaging suppliers. Through responsible development, the Group believes it can make a positive impact beyond its own business.

Developing High Quality Services

In order to maintain consistent quality service to clients, each of the Group's project leaders checks and ensures the quality of projects with a high degree of professionalism and responsibility, in strict accordance with contractual requirements. The "Project Management Guidelines" (《工程項目管理指引》) include procedures for contracting, execution and completion of works. Employees and subcontractors are required to follow these procedures, and various trainings are provided to ensure that they understand the requirements.

Every project in the Group holds weekly progress meetings. At these meetings, the parties responsible for the project discuss safety, environmental, schedule, design and site coordination issues to ensure that the project is executed according to plan and standards, and to prevent major problems from arising. Meeting minutes are also kept for follow-up and performance evaluation. Because of the tireless efforts, no complaints with significant impact regarding the quality and safety of projects were received during the Reporting Period.

Traditional industries are embracing the Internet, big data and artificial intelligence at an unprecedented rate, and the construction industry is no exception. Against this backdrop come reports that the risk of cybersecurity attacks is on the rise. The impact of data breaches on client trust in corporates cannot be overstated. The Group has a responsibility to ensure its systems are fit for purpose and its employees act with probity.

The Group requires its employees to comply with the confidentiality provisions of the "Code of Business Conduct and Ethics" and to maintain the confidentiality of information entrusted to them by the suppliers, customers and other persons connected with its business. Technology Resources Use Policy, and Business Continuity Planning and Disaster Recovery Controls Plan also guide the Group's data security.

Promoting Sustainability in the Supply Chain

Suppliers and subcontractors are essential partners of the Group in its engineering projects. The Group selects suppliers and subcontractors under unified standards and formulates "Engineering Procurement and Subcontracting Guidelines" (《工程採購及分判指引》) to standardise the cooperation guidelines with suppliers. Based on the suppliers' resources, reputation, performance, capability, business management model and business coverage area, the Group selects potential suppliers in an objective, fair, impartial and highly transparent manner. The "Code of Ethics" (《職業道德守則》) also sets out the requirements for suppliers in maintaining ethical conduct and guaranteeing project safety to ensure that projects comply with the Group's concept of social responsibility. Prospective suppliers must comply with the Code as a condition of business.

Further measures for sustainability of the supply chain may see the Group strengthening its requirements for suppliers to improve their performance in areas such as environmental protection and labour protection.

Improving Environmental Performance

Macau E&M places emphasis on the environmental impact of the Group's operations and project works, and practices the Group's sustainable development philosophy. To reduce damage to the environment, the Group strictly complies with all relevant laws and regulations and takes into account numerous natural environmental factors in its overall operation plan. To further manage its impact on the environment, an Environmental Protection Policy is being developed to systematically organise the way in which air and noise emissions, waste generation and disposal, water and energy use are handled.

Preserving Resources

Aiming to reducing waste at source, the Group encourages employees to practice and participate in more sustainable ways of working and living, such as promoting a paperless office, better using electronic communication to circulate documents, reducing disposable cups and reusing resources.

In terms of energy use, it is mostly dedicated to fuel consumption of company vehicles and electricity usage. The Group requires employees to turn off lights and air conditioners when they leave work, and may consider introducing energy-saving devices and equipment where appropriate.

Meanwhile, energy and paper consumption of the Group's business units is also continuously monitored to promote consumption reduction. For the Reporting Period, the Group consumed 10.54 MWh of petrol. In terms of purchased electricity, the warehouse used 10.44 MWh of electricity.

Types of energy		Consumption	Unit
Direct energy	Petrol	10.54	MWh
Indirect energy	Electricity[1]	10.44	MWh
Total energy consumption		20.99	MWh

Water consumption by the Group is relatively small and only comes from the daily use of water by employees, but the Group does encourage its employees to develop an awareness of water conservation. In the Reporting Period, only water consumption by the warehouse was counted, as separate data for the Group's offices could not be obtained from the property manager. The total amount of water used in the warehouse was 287.23 m^3.

Managing Emissions

Climate change is an issue of growing concern and importance globally. The Group have committed to reducing greenhouse gas ("**GHG**") emissions in an effort to contribute to mitigating climate change. In the Reporting Period, the Group engaged an external consultant to conduct a carbon emission assessment[2] to quantify the GHG emissions generated from its operations. The assessment results showed that the total GHG emissions amounted to 11.31 tonnes of carbon dioxide equivalents, of which 73.03% came from the use of electricity[1] and 26.97% from the burning of fossil fuels.

[1] Electricity data is only available for the warehouse. The Group will communicate with the property manager to obtain office electricity data in the future.

[2] The process of quantification refers to HKEx "How to prepare an ESG Report – Appendix 2: Reporting Guidance on Environmental KPIs".

The Group recognises that the largest source of GHG emissions is electricity use and will continue to remind employees to turn off lights, computers, air conditioners, printers and other energy-consuming appliances before leaving the operation sites after work to cultivate good energy-saving habits. In addition, all vehicles are serviced and maintained regularly to improve fuel efficiency and reduce their contribution to air pollution, including GHG emissions and other air pollutants such as nitrogen oxides ("**NO_x**"), sulfur oxides ("**SO_x**") and respirable suspended particulates ("**RSP**").

Scope	GHG emissions (carbon dioxide equivalent)	Unit
Scope 1 Direct emissions	3.05	tonnes
Scope 2 Energy indirect emissions	8.26	tonnes
Total GHG emissions	11.31	tonnes

On the waste side, the Group generated a total of 1.08 tonnes of non-hazardous waste this Reporting Period, including 0.45 tonnes of paper and 0.63 tonnes of other domestic waste[3]. The wastes were collected and treated by waste disposal companies. The Group will continue to promote waste reduction efforts, including specific actions to change the habits of employees, such as the provision of stainless steel tableware.

Contributing to a Green Community

To reduce the effect businesses have on the environment and natural resources, the Group is exploring ways to integrate the concept of sustainability into its future operations. At the same time, recognising that building a green community requires the joint efforts of all stakeholders, the Group will also consider incorporating in future discussion the promotion of environmental awareness and behaviour among employees and the supply chain.

[3] Annual data estimation was performed using six consecutive weeks of weighing data.

PERFORMANCE OVERVIEW

Environmental

Key environmental performance indicators	2020	Unit
Air Pollutant emissions		
NO_x	**1.98**[4]	kg
SO_x	**0.02**[5]	kg
RSP	**0.64**[4]	kg
GHG Emissions[6]		
Scope 1 Direct emissions	**3.05**	tonnes of carbon dioxide equivalent
Scope 2 Energy indirect emissions	**8.26**	tonnes of carbon dioxide equivalent
Total GHG emissions	**11.31**	tonnes of carbon dioxide equivalent
GHG intensity (by area)	**0.005**	tonnes of carbon dioxide equivalent/sqm
GHG intensity (by employee)	**0.155**	tonnes of carbon dioxide equivalent/employee
Hazardous waste		
Total hazardous waste	**0**	tonnes
Hazardous waste intensity (by area)	**0**	tonnes/sqm
Hazardous waste intensity (by employee)	**0**	tonnes/employee
Non-hazardous waste		
Total non-hazardous waste	**1.08**	tonnes
Non-hazardous waste intensity (by area)	**0.015**	tonnes/sqm
Non-hazardous waste intensity (by employee)	**0.015**	tonnes/employee
Energy Consumption		
Petrol	**10.54**	MWh
Electricity	**10.44**[7]	MWh
Total energy consumption	**20.99**	MWh
Energy intensity (by area)	**0.010**	MWh/sqm
Energy intensity (by employee)	**0.287**	MWh/employee
Water Consumption		
Total water consumption	**287.23**[7]	m^3
Water intensity (by area)	**0.228**	m^3/sqm
Water intensity (by employee)	**3.935**	m^3/employee

4 Distance travelled by vehicles is estimated in terms of fuel consumption based on the Energy Utilisation Index – Transport Sector of the Hong Kong Electrical and Mechanical Services Department. Emission factor is referenced to HKEx "How to prepare an ESG Report – Appendix 2: Reporting Guidance on Environmental KPIs".

5 Emission factor is referenced to HKEx "How to prepare an ESG Report – Appendix 2: Reporting Guidance on Environmental KPIs".

6 Scope 1 includes emissions from the consumption of fossil fuels by vehicles of the Group; Scope 2 includes emissions from the consumption of purchased electricity of the warehouse.

7 Data is only available for the warehouse. The Group will communicate with the property manager to obtain office data in the future.

Social

Key social performance indicators		2020
Total employees[8]		
By gender	Male	**61**
	Female	**12**
By age group	Under 30	**12**
	30 – 50	**49**
	Over 50	**12**
By employment type	Full-time	**64**
	Part-time	**9**
Total		**73**
Total subcontractor workers[9]		
By gender	Male	**11**
	Female	**0**
By age group	Under 30	**0**
	30 – 50	**9**
	Over 50	**2**
Total		**11**
Employee turnover rate		
By gender	Male	**30.9%**
	Female	**0.0%**
By age group	Under 30	**32.0%**
	30 – 50	**17.8%**
	Over 50	**48.3%**
Total		**26.4%**

8 All employees are in Macau.

9 All subcontractor workers are full-time and in Macau.

Key social performance indicators		2020
Health and safety[10]		
Work-related injuries (employees)		**1**
Lost days due to work-related injuries (employees)		**2**
Work-related injuries (subcontractor workers)		**1**
Lost days due to work-related injuries (subcontractor workers)		**2.5**
Percentage of employees trained		
By gender	Male	**18.0%**
	Female	**16.7%**
By employee category	Front-line employees	**12.7%**
	Junior Management	**0.0%**
	Mid-level Management	**0.0%**
	Senior Management	**83.3%**
Total		**17.8%**
Average training hours		
By gender	Male	**8.14**
	Female	**6.00**
By employee category	Front-line employees	**4.13**
	Junior Management	**0.00**
	Mid-level Management	**0.00**
	Senior Management	**13.7**
Total		**7.81**
Total suppliers		
By region	Macau	**105**
	Hong Kong	**39**
Total		**144**

10 There were no work-related fatalities in the past three years (including the Reporting Period).

HKEx ESG REPORTING GUIDE CONTENT INDEX

Aspects	Description	Page/Remark
A1 Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	14, 19
A1.1	The types of emissions and respective emissions data.	21
A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions and intensity.	21
A1.3	Total hazardous waste produced and intensity.	21
A1.4	Total non-hazardous waste produced and intensity.	21
A1.5	Description of emission target(s) set and steps taken to achieve them.	Because this is the Group's first year of collecting environmental data, the data base is not yet complete. The Group will begin setting targets as the data collection system matures.
A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	20; Because this is the Group's first year of collecting environmental data, the data base is not yet complete. The Group will begin setting targets as the data collection system matures.

Aspects	Description	Page/Remark
A2 Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	19
A2.1	Direct and/or indirect energy consumption by type in total and intensity.	19, 21
A2.2	Water consumption in total and intensity.	21
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Because this is the Group's first year of collecting environmental data, the data base is not yet complete. The Group will begin setting targets as the data collection system matures.
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	There were no issues in sourcing water fit for purpose. Because this is the Group's first year of collecting environmental data, the data base is not yet complete. The Group will begin setting targets as the data collection system matures.
A2.5	Total packaging material used for finished products and per unit produced.	The use of packaging materials is irrelevant to the Group's operating businesses.

Aspects	Description	Page/Remark
A3 The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	19
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	20
A4 Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	This issue is not material based on the results of stakeholder engagement. The Group will continue to adjust the management approach and information disclosure approach in accordance with the materiality principle.
A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	
B1 Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	14, 16
B1.1	Total workforce by gender, employment type, age group and geographical region.	22
B1.2	Employee turnover rate by gender, age group and geographical region.	22

Aspects	Description	Page/Remark
B2 Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	14, 16
B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	23
B2.2	Lost days due to work injury.	23
B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	16
B3 Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	17
B3.1	The percentage of employees trained by gender and employee category.	23
B3.2	The average training hours completed per employee by gender and employee category.	23

Aspects	Description	Page/Remark
B4 Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	14, 17
B4.1	Description of measures to review employment practices to avoid child and forced labour.	17
B4.2	Description of steps taken to eliminate such practices when discovered.	The Group did not encounter such practices during the Reporting Period.
B5 Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	18
B5.1	Number of suppliers by geographical region.	23
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	18
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	18
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	This issue is not material based on the results of stakeholder engagement. The Group will continue to adjust the management approach and information disclosure approach in accordance with the materiality principle.

Aspects	Description	Page/Remark
B6 Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	14, 18
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	The issue is irrelevant to the Group's operating businesses.
B6.2	Number of products and service related complaints received and how they are dealt with.	18
B6.3	Description of practices relating to observing and protecting intellectual property rights.	The Group has no intellectual property policy, but in its daily operations, employees are required not to allow patent infringement and to use genuine software.
B6.4	Description of quality assurance process and recall procedures.	The Group was not involved in any recall procedures.
B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	18

Aspects	Description	Page/Remark
B7 Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	13, 14
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	14
B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	13
B7.3	Description of anti-corruption training provided to directors and staff.	13
B8 Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	This issue is not material based on the results of stakeholder engagement. The Group will continue to adjust the management approach and information disclosure approach in accordance with the materiality principle.
B8.1	Focus areas of contribution.	
B8.2	Resources contributed to the focus area.	

Corporate Governance and Other Information

The Company is committed to maintain good corporate governance standard and procedures to ensure the integrity, transparency and quality of disclosure in order to enhance the shareholders' value.

CORPORATE GOVERNANCE PRACTICES

The Company aims to achieve high standards of corporate governance which is crucial to the development of the Group and safeguard the interests of the shareholders.

The Company has adopted the code provisions set out in the Corporate Governance Code ("**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") as its own code of corporate governance. Since the Listing Date and up to the date of this report (the "**Period**"), 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. ("**Kento Engineering**") (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.

Save for the above, in the opinion of the Directors, the Company was in compliance with the code provisions set out in the CG Code since the Listing Date and up to the date of this report.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by directors since the Listing Date. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code since the Listing Date and up to 31 December 2020.

DIVIDEND POLICY

Pursuant to the CG Code, the Board has adopted a dividend policy ("**Dividend Policy**"). Pursuant to the Dividend Policy, in considering the declaration and payment of dividends, the Board shall maintain adequate cash reserves for meeting its working capital requirements and future business growth and take into account the following factors of the Group:

a. the Group's results of operations;

b. cash flows and financial conditions;

c. operating and capital requirements;

d. statutory and regulatory restrictions;

e. future prospects (if any); and

f. any other factors that the Board considers appropriate.

The Board has discretion to declare and distribute dividends to the shareholders of the Company, subject to the by-laws and all applicable laws and regulations. The Board will review the Dividend Policy from time to time and may exercise its sole and absolute discretion to update, amend and/or modify the Dividend Policy at any time as it deems fit and necessary. There is no assurance that dividends will be paid in any particular amount for any given period.

BOARD OF DIRECTORS

The Board is responsible for the leadership and control of the Company, and is responsible for setting up the overall strategy as well as reviewing the operation and financial performance of the Group. The Board reserved for its decision or consideration matters covering overall group strategy, major acquisitions and disposals, annual budgets, annual and interim results, recommendations on Directors' appointment or re-appointment, approval of major capital transactions and other significant operational and financial matters. The management was delegated the authority and responsibility by the Board for the daily management of the Group. In addition, the Board has also delegated various responsibilities to the Board committees. Further details of these committees are set out in this report.

The Board currently consists of five Directors including two executive Directors and three independent non-executive Directors:

Executive Directors

Mr. Cheong Ka Wo *(Chairman & Chief Executive Officer)*
Mr. Leong Kam Leng

Independent Non-executive Directors

Mr. Chan Ming Kit
Mr. Law Lap Tak
Ms. Lee Sze Ming

The Board members have no financial, business, family or other material/relevant relationships with each other. Such balanced Board composition is formed to ensure strong independence exists across the Board. The composition of the Board reflects the balanced skills and experience for effective leadership. The biographical information of the Directors are set out on pages 42 to 44 under the section headed "Biographical Details of Directors and Senior Management".

Directors' Training

According to the code provision A.6.5 of the CG Code, all directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the board remains informed and relevant.

All Directors have participated in continuous professional development and provided to the Company a record of training they received for the Year.

The individual training record of each Director received for the Year is summarised below:

Name of Directors	Attending seminars/reading materials relevant to the director's duties
Cheong Ka Wo *(Chairman & Chief Executive Officer)*	✓
Leong Kam Leng	✓
Chan Ming Kit	✓
Law Lap Tak	✓
Lee Sze Ming	✓

Chairman and Chief Executive Officer

Code provision A.2.1 of the CG Code requires that the responsibilities between the chairman and the chief executive officer to be segregated.

Mr. Cheong is currently the chairman and chief executive officer of the Company. In view of the fact that Mr. Cheong has been assuming the responsibilities in the overall management and supervision of the daily operations of the Group since the establishment of Kento Engineering in January 2011, the Board believes that it is in the best interest of the Group to have Mr. Cheong taking up both roles for effective management and operations. Therefore, the Directors consider that the deviation from such code provision is appropriate. Code provision A.2.7 of the CG Code requires that the Chairman should at least annually hold meetings with the independent non-executive Directors without the other executive Directors present. Since the Listing Date and up to the date of this report, Mr. Cheong held a meeting with the independent non-executive Directors without the presence of the executive Directors.

Independent Non-executive Directors

The independent non-executive Directors are appointed for a specific term and they are also subject to the retirement by rotation at least once every three years in accordance with the memorandum and articles of association of the Company (the "**Articles of Association**").

The three independent non-executive Directors are persons of high caliber, with academic and professional qualifications in the fields of legal, accounting and finance. With their experience gained from various sectors, they provide strong support towards the effective discharge of the duties and responsibilities of the Board. Each independent non-executive Director gave a confirmation of his independence to the Company, and the Company considered each of them is independent under Rule 3.13 of the Listing Rules.

Functions of the Board and Management

The Board is primarily responsible for establishing the overall strategies of the Group, setting objectives and business development plans, assuming responsibility of corporate governance and monitoring the performance of senior management.

The management, under the leadership of the executive Directors, is responsible for implementing the strategies and plans established by the Board and reporting on the Group's operations to the Board on a regular basis to ensure effective performance of the Board's responsibilities.

All the Directors have separate and independent access to the Group's senior management to fulfill their duties. Independent professional advice can be sought to assist the relevant Directors to discharge their duties at the Group's expense upon their request. All the Directors have been provided with monthly updates on the Group's performance and financial position to enable the Board as a whole and each Director to discharge their duties.

Board Diversity Policy

The Board has adopted a board diversity policy (the "**Board Diversity Policy**") which sets out the approach to achieve diversity on the Board. The Company recognises and embraces the benefits of diversity in the Board and is committed to enhancing quality of opportunity in all aspects of its business. The Company seeks to achieve Board diversity through the consideration against a range of objective criteria, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills and knowledge. The Company will also take into consideration its own business model and specific needs from time to time in determining the optimal composition of the Board.

The Board delegated certain duties under the Board Diversity Policy to the nomination committee of the Board (the "**Nomination Committee**"). The Nomination Committee will make recommendations to the Board on measurable objectives for achieving diversity of the Board and monitor the progress on achieving the objectives.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its continued effectiveness from time to time.

Board Meetings

The Board intends to hold board meetings regularly at least four times a year at approximately quarterly intervals. Notices of not less than fourteen days will be given for all regular board meetings to provide all Directors with an opportunity to attend and propose matters to be discussed in the meeting agenda. Agendas and accompanying papers shall be sent not less than 3 days before the date of Board meeting to ensure that the Directors are given sufficient time to review the documents.

Since the Listing Date and up to the date of this report, the Board held 2 meetings. The attendance record of each Director is set out below:

Name of Directors	Attendance/ Number of meeting held
Executive Directors	
Cheong Ka Wo *(Chairman & Chief Executive Officer)*	2/2
Leong Kam Leng	2/2
Independent Non-executive Directors	
Chan Ming Kit	2/2
Law Lap Tak	2/2
Lee Sze Ming	2/2

Board minutes are kept by the company secretary of the Company (the "**Company Secretary**") and are open for inspection by the Directors. Every Board member is entitled to have access to Board papers and related materials and has unrestricted access to the advice and services of the Company Secretary, and has the liberty to seek external professional advice if so required.

Appropriate insurance cover has been arranged by the Company in respect of relevant actions against its Directors.

NOMINATION COMMITTEE

In considering the nomination of new Directors, the Board will take into account the qualification, ability, working experience, leadership and professional ethics of the candidates.

The Company established the Nomination Committee with written terms of reference on 21 August 2020 and currently consists of three independent non-executive Directors, namely Ms. Lee Sze Ming (as chairlady), Mr. Chan Ming Kit and Mr. Law Lap Tak. The terms of reference of the Nomination Committee is currently made available on the websites of the Stock Exchange and the Company.

Terms of reference of the Nomination Committee are aligned with the code provisions set out in the CG Code.

The primary duties and roles of the Nomination Committee include, but are not limited to, (a) reviewing the structure, size and composition and diversity (including the skills, knowledge, educational background, experience and diversity) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy; (b) identifying individuals suitably qualified to become members of the Board and selecting or making recommendations to the Board in the selection of individuals nominated for directorships; and (c) assessing the independence of independent non-executive Directors.

In considering the composition of the Board, the Board diversity will been considered from a number of perspectives, including but not limited to gender, age, cultural and educational background, industry experience, ethnicity, professional experience, skills and knowledge, length of services and time to be devoted as a director in accordance with the Board Diversity Policy. The Company will also take into account factors relating to its own business model and specific needs from time to time. The ultimate decision is based on merit and contribution that the selected candidates will bring to the Board.

Since the Listing Date and up to the date of this report, the Nomination Committee held one meeting to review the structure, composition, size and diversity of the Board and make relevant recommendation to the Board, which included the re-election of retiring Directors.

Name of Members	Attendance/ Number of meeting held
Lee Sze Ming *(Chairlady)*	1/1
Chan Ming Kit	1/1
Law Lap Tak	1/1

REMUNERATION COMMITTEE

The Company established a remuneration committee with written terms of reference on 21 August 2020 (the "**Remuneration Committee**") and currently consists of three independent non-executive Directors, namely Mr. Chan Ming Kit (as chairman), Mr. Law Lap Tak and Ms. Lee Sze Ming. The terms of reference of the Remuneration Committee is currently made available on the Stock Exchange's website and the Company's website.

Terms of reference of the Remuneration Committee are aligned with the code provisions set out in the CG Code.

The primary duties and roles of the Remuneration Committee include, but not limited to, (a) making recommendations to the Board on the policy and structure for the remuneration of all of Directors and senior management personnel and on the establishment of a formal and transparent procedure for developing the policy on such remuneration; (b) making recommendations to the Board on the specific remuneration packages of individual executive Directors and senior management; (c) reviewing and approving management's remuneration proposals with reference to the Board's corporate goals and objectives; and (d) making recommendations to the Board on the remuneration of non-executive Directors.

Since the Listing Date and up to the date of this report, the Remuneration Committee held one meeting to discuss and consider the remuneration policy of the Directors and the senior management of the Group.

Name of Members	Attendance/ Number of meeting held
Chan Ming Kit *(Chairman)*	1/1
Law Lap Tak	1/1
Lee Sze Ming	1/1

The emoluments payable to Directors and senior management depend on their respective contractual terms under the employment agreements, if any, and is fixed by the Board with reference to the recommendation of the Remuneration Committee taking into account their skills and knowledge, their job responsibilities and level of their involvement in the Group's affairs, the performance of the Group and the prevailing market conditions. Details of the remuneration of the Directors and senior management are set out in note 10 to the consolidated financial statements.

Senior Management's Remuneration

The senior management's remuneration for the Year falls within the following bands:

	Number of individuals
Nil to MOP1,000,000	1
MOP1,000,001 to MOP2,000,000	3

AUDIT COMMITTEE

The Company established the Audit Committee with written terms of reference on 21 August 2020 and currently consists of three independent non-executive Directors, namely Mr. Law Lap Tak (as chairman), Mr. Chan Ming Kit and Ms. Lee Sze Ming. The terms of reference of the Audit Committee is currently made available on the websites of the Stock Exchange and the Company.

Terms of reference of the Audit Committee are aligned with the code provisions set out in the CG Code.

The primary duties and roles of the Audit Committee include, but not limited to, (a) making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal; (b) monitoring integrity of financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and reviewing significant financial reporting judgments contained in them; and (c) reviewing the financial controls, risk management and internal control systems of the Group.

The Audit Committee meets the external auditors regularly to discuss any area of concern during the audit. The Audit Committee shall review the interim and annual reports before submission to the Board. The Audit Committee focuses not only on the impact of the changes in accounting policies and practices but also on the compliance with accounting standards, the Listing Rules and the legal requirements in the review of the Company's interim and annual report.

Since the Listing Date and up to the date of this report, the Audit Committee held three meetings to

- review the independence and the works done by the auditor; and
- review the financial reporting system, compliance procedure, internal control and risk management system, effectiveness of the internal audit function and procedures and appointment of external auditor.

Name of Members	Attendance/ Number of meeting held
Law Lap Tak *(Chairman)*	3/3
Lee Se Ming	3/3
Chan Ming Kit	3/3

The Audit Committee noted the existing risk management and internal control systems of the Group and also noted that review of the same will be carried out annually.

CORPORATE GOVERNANCE FUNCTIONS

The corporate governance functions are performed by the Board.

The corporate governance functions are to develop and review the Company's policies and practices on corporate governance to comply with the CG Code and other legal or regulatory requirements, to oversee the Company's orientation program for new Director, to review and monitor the training and continuous professional development of Directors and senior management, to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors, and to review the Company's disclosure in the Corporate Governance Report.

Since Listing, the Board has been performing the above mentioned corporate governance functions.

AUDITORS' REMUNERATION

During the Year, the remuneration paid/payable to the Company's auditors are set out below:

	Fee paid/payable MOP'000
Audit services	1,995
Non-audit services*	72
Total:	2,067

* The non-audit services mainly include tax compliance services.

COMPANY SECRETARY

The Company has appointed Mr. Chan Yat Lui as its Company Secretary. Mr. Chan Yat Lui has confirmed that for the Year under review, he has taken no less than 15 hours of relevant professional training. The biography of Mr. Chan Yat Lui is set out in the section headed "Biographical Details of Directors and Senior Management" of this report.

SHAREHOLDERS' RIGHTS

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. An annual general meeting of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting.

Shareholders to convene an EGM

Pursuant to article 58 of the Articles of Association, any 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 carrying the right of voting at general meetings of the Company (the "**Eligible Shareholder(s)**") shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting ("**EGM**") to be called by the Board for the transaction of any business specified in such requisition.

Eligible Shareholders who wish to convene an EGM for the purpose of making proposals or moving a resolution at the EGM must deposit a written requisition (the "**Requisition**") signed by the Eligible Shareholder(s) concerned to the principal place of business of the Company in Hong Kong at Rooms 1909-13, 19th Floor, Tai Yau Building, 181 Johnston Road, Wanchai, Hong Kong, for the attention of the Company Secretary.

Such EGM shall be held within 2 months after the deposit of the Requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may convene a physical meeting, 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.

Putting enquiries by shareholders to the Board

Shareholders may send written enquiries to the Company for the attention of the Company Secretary at the Company's principal place of business in Hong Kong Rooms 1909-13, 19th Floor, Tai Yau Building, 181 Johnston Road, Wanchai, Hong Kong by post or by email to ylchan@kento.com.mo.

Procedures for shareholders to propose a person for election as a Director

If a shareholder of the Company wishes to propose a person other than a Director for election as a Director, the shareholder must deposit a written notice (the "**Notice**") to the principal place of business of the Company in Hong Kong at Rooms 1909-13, 19th Floor, Tai Yau Building, 181 Johnston Road, Wanchai, Hong Kong for the attention of the Company Secretary.

The Notice must state clearly the name, the contact information of the shareholder and his/her/their shareholding, the full name of the person proposed for election as a Director, including the person's biographical details as required by Rule 13.51(2) of the Listing Rules, and be signed by the shareholder concerned (other than the person to be proposed). The Notice must also be accompanied by a letter of consent (the "**Letter**") signed by the person proposed to be elected on his/her willingness to be elected as a Director.

The period for lodgment of the Notice and the Letter will commence no earlier than the day after the despatch of the notice by the Company of the general meeting appointed for election of Directors and end no later than seven days prior to the date of such general meeting.

The Notice will be verified with the Company's branch share registrar and upon their confirmation that the request is proper and in order, the Company Secretary will ask the Nomination Committee and the Board to consider to include the resolution in the agenda for the general meeting proposing such person to be elected as a Director.

Procedures for shareholders to put forward proposals at general meetings

There are no provisions in the Articles of Association or the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands for shareholders to move new resolutions at general meetings. Shareholders who wish to move a resolution may request the Company to convene a general meeting in accordance with the procedures set out in the preceding paragraph.

VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the Chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. As such, all the resolutions to be set out in the notice of forthcoming annual general meeting ("**2021 AGM**") will be voted by poll.

INVESTOR RELATIONS

The Company is committed to a policy of open and regular communication and reasonable disclosure of information to its shareholders.

Information of the Company is disseminated to the shareholders in the following manner:

- Delivery of annual and interim reports to all shareholders;
- Publication of announcements on the annual and interim results on the Stock Exchange website, and issue of other announcements and shareholders' circulars in accordance with the continuing disclosure obligations under the Listing Rules; and
- The general meeting of the Company is also an effective communication channel between the Board and shareholders.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Board acknowledges its responsibility to prepare the Group's consolidated financial statements for each financial year which give a true and fair view of the financial position of the Group and of the financial performance and cash flows of the Group for that year. In preparing the consolidated financial statements for the Year, the Board has selected suitable accounting policies and applied them consistently; made judgments and estimates that are prudent, fair and reasonable and prepared the accounts on a going concern basis.

The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors, having made appropriate enquiries, consider that the Group has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the consolidated financial statements.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledge that it is responsible for the risk management and internal control systems and reviewing their effectiveness. The internal control systems of the Group are structured to assist in the achievement of the Group's goals, to safeguard the Group's assets and to ensure the maintenance of proper accounting records and compliance with applicable laws, rules and regulations. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has delegated its responsibilities (with relevant authorities) of risk management and internal control to the Audit Committee, who oversees management in the design, implementation and monitoring of the risk management and internal control systems, and management has provided a confirmation to the Audit Committee (and the Board) on the effectiveness of these systems for the Year. A review of the effectiveness of the risk management and internal control systems have been conducted by the Board at least annually.

Risk management

The Company has already reviewed its risk management framework and processes and has implemented relevant measures resulting from this exercise that aim to enhance its framework and processes. In particular, the Company has developed, approved and implemented a risk management system, which is defined and supported by its endorsed risk management policy. The system comprises the following phases:

- *Identification*: Identify ownership of risks, business objectives and risks that could affect the achievement of objectives.

- *Analysis*: Analyze the existing control, likelihood and consequence of risks and evaluate the risk portfolio accordingly.

- *Management*: Consider the risk responses, ensure effective communication to the Board and on-going monitor the residual risks.

Internal control measures

The internal control system of the Group covers its major business aspects such as revenue management, expenditure management, human resources and payroll, cash and treasury management, financial reporting, compliance and information technology. The internal control measures are supervised by management team including executive Directors. The management team is responsible to identify risks and internal control deficiencies, evaluate the internal control system of the Group from time to time and implementing additional control measures. Once any internal control deficiency was identified, the management would take immediate steps to notify the Audit Committee the findings and implement relevant internal control measures with assistance of any independent consulting firm as appropriate. Results of the internal assessments, internal surveys and routine inspections would be reported to the Audit Committee of the Board, which is responsible to review the financial information and supervise the financial reporting system and internal controls system of the Group.

Internal audit function

The Company does not establish a standalone internal audit department, however, the Board has put in place adequate measures to perform the internal control review at different aspects of the Group.

The Board conducted an annual review on the effectiveness of risk management and internal control systems, covering all material controls such as financial, operational and compliance controls for the Year. In addition, the Board has appointed an internal control review consultant to review the internal control systems of the Group on an on-going basis. For the Year, the review covered key processes of project tendering, payment processing and administration, payroll and legal and compliance of the Group. Such review shall be conducted annually. The Board considered that the risk management and internal control systems of the Company for the Year were effective and adequate.

Handling and dissemination of inside information

With respect to the monitoring and disclosure of inside information, the Group has adopted a policy on disclosure of insider information with the aim to ensure the insiders are abiding by the confidentiality requirement and are fulfilling the disclosure obligation of the inside information.

CONSTITUTIONAL DOCUMENTS

Pursuant to written resolutions of the then shareholders of the Company passed on 21 August 2020, the Articles of Association were adopted. During the Year, there was no change in the constitutional documents of the Company.

The Articles of Association are available on the websites of the Stock Exchange and the Company.

Biographical Details of Directors and Senior Management

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 the Company and a director of all of the Company's subsidiaries. He is responsible for the overall management and supervision of the daily operations of the Group. Mr. Cheong is entitled to a remuneration of MOP3,000,000 per annum.

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 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.

Mr. Leong Kam Leng ("Mr. Leong"), 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 the Company's subsidiaries. He is responsible for the strategic planning of the Group. Mr. Leong is entitled to a remuneration of MOP600,000 per annum.

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 electromecaˆnica de manutenção industrial do ensino secunda´rio 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Law Lap Tak ("Mr. Law"), aged 50, was appointed as an independent non-executive Director on 21 August 2020 and he is entitled to a remuneration of HK$132,000 per annum from the date of Listing. 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).

Ms. Lee Sze Ming ("Ms. Lee"), aged 48, was appointed as an independent non-executive Director on 21 August 2020 and she is entitled to a remuneration of HK$132,000 per annum from the date of Listing. 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.

Mr. Chan Ming Kit ("Mr. Chan"), aged 51, was appointed as an independent non-executive Director on 21 August 2020 and he is entitled to a remuneration of HK$132,000 per annum from the date of Listing. 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.

SENIOR MANAGEMENT

Mr. Chang Hong Lun, aged 38, is the head of heating, ventilation and air-conditioning ("**HVAC**") department of the Company since March 2012 and is primarily responsible for management of HVAC systems works. Prior to joining the 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 registered professional engineer ("**RPE**") in Macau since 2009.

Mr. Tai Hoi Tun, aged 39, is the head of electrical department of the Company since December 2011 and is primarily responsible for management of LV systems works and ELV systems works. Prior to joining the 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 in Macau since 2008.

Ms. Wong, Joyce Kit Sin, aged 38, was appointed as the Group finance controller on 25 November 2019 and is responsible for finance management of the Group. Prior to joining the 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 Manoa in August 2005. She was admitted as a member of the CPA Australia in June 2016.

COMPANY SECRETARY

Mr. Chan Yat Lui (陳溢磊), aged 37, was appointed as the company secretary on 17 April 2020 and is responsible for company secretarial matters of the Company. Prior to joining the 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 accountant 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 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 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.

Directors' Report

The Directors are pleased to present this report together with the audited consolidated financial statements of the Group for the Year.

REORGANISATION AND GLOBAL OFFERING

The Company was incorporated in the Cayman Islands under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as an exempted company with limited liability on 13 January 2016 and was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance, Cap. 622 (Laws of Hong Kong) on 24 October 2017. Pursuant to the completion of the reorganisation as detailed in the section headed "History, Development and Reorganisation" in the Prospectus to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Main Board of the Stock Exchange, the Company became the holding company of the subsidiaries now comprising the Group.

The shares of the Company were listed on the Main Board of the Stock Exchange on 11 September 2020 through Global Offering as described in the section headed "Structure of the Global Offering" in the Prospectus.

USE OF PROCEEDS FROM THE COMPANY'S GLOBAL OFFERING

The aggregate net proceeds from the Global Offering (after deducting listing expenses borne by the Company) amounted to approximately HK$51.6 million (equivalent to approximately MOP53.1 million). The proposed application of net proceeds as stated in the Prospectus has been adjusted according to the principles and proposed percentage of utilisation as specified in the section headed "Future Plans and Use of Proceeds from the Global Offering" of the Prospectus. The use of proceeds up to 31 December 2020 is included in the section "Management Discussion and Analysis" on page 9.

PRINCIPAL ACTIVITIES

The Company is an investment company and its subsidiaries are principally engaged in provision of E&M engineering services works in Macau.

BUSINESS REVIEW

A review of the business of the Group for the Year and a discussion on the Group's future business development, and also the Group's performance during the Year are provided in the section headed "Management Discussion and Analysis" on pages 5 to 6. No important event affecting the Group has occurred since the end of the year under review.

SEGMENT INFORMATION

An analysis of the Group's performance for the Year by operating segment is set out in note 5 to the consolidated financial statements.

PRINCIPAL RISKS AND UNCERTAINTIES

There are certain risks involved in the Group's operations, many of which are beyond the Group's control, including but not limited to those relating to its business and the industry. Some of the major risks the Group facing include the following:

- the gross profit margin depends on the tender price of each project, which in turn is based on the estimated costs and time to be involved

- the Company requires various registrations, licenses and certifications to operate the Group's business in Macau

- personal injuries, property damages or fatal accidents may occur at work sites
- any changes in environmental requirements may increase the Group's compliance costs
- the Group operates in a competitive E&M services industry

Detailed discussion of the risk factors is set out in the section headed "Risk Factors" in the Prospectus.

ENVIRONMENTAL POLICY AND PERFORMANCE

The Environment, Social and Governance Report of the Company for the Year contained the information required under Appendix 27 to the Listing Rules is set out on pages 12 to 30 of this report.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

During the year under review, as far as the Board and management are aware, there was no material breach of or non-compliance with the applicable laws and regulations by the Group that has a significant impact on the businesses and operation of the Group.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS, SUBCONTRACTORS AND SUPPLIERS

The Group recognises that employees are one of the significant assets of the Group. The Group aims to continue establishing a caring environment to employees and emphasis the personal development of its employees.

The Group maintains a good relationship with our customers, subcontractors and suppliers. The Group aims to continue providing quality services to our customers and establishing cooperation strategy with our subcontractors and suppliers.

RESULTS AND APPROPRIATIONS

The results of the Group for the Year are set out in the consolidated statement of comprehensive income on page 60.

The Board does not recommend the payment of a final dividend for the Year (2019: Nil).

CHARITABLE DONATIONS

During the Year, the Group did not make any charitable donation (2019: Nil).

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the identity of the shareholders of the Company entitled to attend and vote at the forthcoming 2021 AGM to be held on Friday, 21 May 2021, the register of members of the Company will be closed from Monday, 17 May 2021 to Friday, 21 May 2021, both days inclusive, during the period no transfer of shares will be registered. All transfers accompanied by the relevant certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, 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.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements during the Year in the property, plant and equipment of the Group are set out in Note 14 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2020, the Company's reserves available for distribution to the shareholders amounted to approximately HK$205.0 million.

SHARE CAPITAL

Details of the movements in the share capital during the Year are set out in Note 22 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

RELIEF OF TAXATION

The Company is not aware of any relief from taxation available to the shareholders of the Company by reason of their holding of the shares.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period from the Listing Date and up to the date of this report.

PERMITTED INDEMNITY PROVISION

The Company has arranged for appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities. The permitted indemnity provision is in force for the benefit of the Directors as required by section 470 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) when this Directors' Report prepared by the Directors is approved in accordance with section 391(1) (a) of the Companies Ordinance (Chapter 622 of the laws of Hong Kong).

GROUP FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last four financial years is set out on page 114 of this report.

DIRECTORS

The list of Directors as at year ended and up to the date of this report is set out below:

Executive Directors

Mr. Cheong Ka Wo *(Chairman & Chief Executive Officer)*
Mr. Leong Kam Leng

Independent Non-executive Directors

Mr. Chan Ming Kit
Mr. Law Lap Tak
Ms. Lee Sze Ming

Pursuant to Article 84(1) of the Articles of Association, at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to the retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election. Further, pursuant to Article 83 of the Articles of Association, any person appointed by the Board to fill a casual vacancy on or as an addition to the Board shall hold office only until the next following annual general meeting of the Company after his appointment, and shall be eligible for re-election. Accordingly, Mr. Cheong and Mr. Leong shall retire from office at the AGM and, being eligible, will offer themselves for re-election at the AGM.

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

Each of the executive Directors has entered into a service agreement with the Company for a term of three years commencing from date of listing, 11 September 2020. Either party has the right to terminate the service agreement by giving not less than one month's written notice to the other party.

Our independent non-executive Directors, Mr. Chan Ming Kit, Mr. Law Lap Tak and Ms. Lee Sze Ming has each entered into a letter of appointment with the Company for a term of three years commencing from 11 September 2020. Either party has the right to terminate the letter of appointment by giving not less than one month's written notice to the other party.

None of the Directors who are proposed for re-election at the 2021 AGM has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors, a confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all of the independent non-executive Directors are independent.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the Year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors or their associates to acquire benefits by means of acquisition of shares in or debentures of, the Company or in any other body corporate.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No significant transaction, arrangements and contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party, and in which a Director had a material interest, whether directly or indirectly subsisted at 31 December 2020 or at any time during the Year.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

No contract of significance was entered into between the Group, or any of its subsidiaries, and any of the Company's controlling shareholders or any of their subsidiaries during the Year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or in existence during the Year.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2020, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance, Cap. 571 (Laws of Hong Kong) (the "**SFO**")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, are set out below:

Interest in Shares of the Company

Name of Director	Nature of interest	Number of shares(Note 1)	Approximate percentage of shareholding interest(Note 2)
Mr. Cheong (Note 3)	Interest of controlled corporation	198,450,000 (L)	39.7%
Mr. Leong (Note 4)	Interest of controlled corporation	51,597,000 (L)	10.3%

Notes:

(1) The letter "L" denotes the person's long position in the shares of the Company.

(2) Based on 500,000,000 shares of the Company in issue as at 31 December 2020.

(3) Macau E&M Group Limited is wholly owned by Mr. Cheong. By virtue of the SFO, Mr. Cheong is deemed to be interested in the shares of the Company held by Macau E&M Group Limited.

(4) Macau E&M Assets Limited is wholly owned by Mr. Leong. By virtue of the SFO, Mr. Leong is deemed to be interested in the shares of the Company held by Macau E&M Assets Limited.

SUBSTANTIAL SHAREHOLDERS INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2020, so far as the Directors or chief executive of the Company were aware of, persons (other than Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO, were as follows:

Name of substantial shareholder	Nature of interest	Number of shares(Note 1)	Approximate percentage of shareholding interest(Note 2)
Macau E&M Group Limited	Beneficial owner	198,450,000 (L)	39.7%
Ms. Lo Chao Ieng (Note 3)	Interest of spouse	198,450,000 (L)	39.7%
Macau E&M Assets Limited	Beneficial owner	51,597,000 (L)	10.3%
Ms. Leong Kam In (Note 4)	Interest of spouse	51,597,000 (L)	10.3%
Mr. Tam Chi Wai ("**Mr. Tam**") (Note 5)	Interest of controlled corporation	77,637,000 (L)	15.5%
One Wesco Inc.	Beneficial owner	77,637,000 (L)	15.5%
Ms. Law Ming Chu (Note 6)	Interest of spouse	77,637,000 (L)	15.5%
Mr. Tsang Yuen Wai, Samuel ("**Mr. Tsang**") (Note 7)	Interest of controlled corporation	47,316,000 (L)	9.5%
Bridge Capital Limited	Beneficial owner	47,316,000 (L)	9.5%
Ms. Li Sau Fun (Note 8)	Interest of spouse	47,316,000 (L)	9.5%

Notes:

(1) The letter "L" denotes the person's long position in the Shares.

(2) Based on 500,000,000 Shares in issue as at 31 December 2020.

(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) 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.

(5) One Wesco Inc. 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 Inc..

(6) 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.

(7) Bridge Capital Limited is wholly-owned by Mr. Tsang. By virtue of the SFO, Mr. Tsang is deemed to be interested in the Shares in which Bridge Capital Limited.

(8) 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.

Save as disclosed above, the Directors were not aware of any interests or short positions owned by any persons (other than the Directors or chief executive of the Company) in the shares or underlying shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO as at 31 December 2020.

SHARE OPTION SCHEME

On 21 August 2020, the Company adopted the Share Option Scheme which became effective upon the Listing and is subject to the requirements under Chapter 17 of the Listing Rules. As of the date of this report, no option has been granted, agreed to be granted, exercised, cancelled or lapsed under the Share Option Scheme.

Details of the Share Option Scheme

(1) Purpose

The Share Option Scheme is established to recognise and acknowledge the contributions that the eligible participants had or may have made to the Group. The Share Option Scheme will provide the eligible participants an opportunity to have a personal stake in the Company with the view to motivate the eligible participants to optimise their performance efficiency for the benefit of the Group and 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 the Group.

(2) Participants

The Board may, at its discretion, offer to grant an option to any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries, any directors (including non-executive directors and independent non-executive directors) of the Company or any of its subsidiaries or any advisers, consultants, suppliers, customers, distributors and such other persons who in the sole opinion of the Board will contribute or have contributed to the Company or any of its subsidiaries to subscribe for such number of new shares as the Board may determine at an exercise price determined in accordance with paragraph (6) below.

(3) The maximum number of shares available for issue

The maximum number of shares of the Company in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of the Company must not in aggregate exceed 10% of the total number of shares of the Company in issue on the day on which trading of the Company's shares commences on the Stock Exchange, and such limit represents 50,000,000 Company's shares, representing 10% of the total Company's shares in issue as at the date of the Listing and as at the date of this report.

(4) The maximum entitlement of each participant

The total number of the Company's 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 the 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 the Company's shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to approval by the Company's shareholders in accordance with the requirements under Chapter 17 of the Listing Rules.

(5) Acceptance and exercise of options and duration of the Share Option Scheme

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 the Company of HK$1.00 by way of consideration for the grant thereof, is received by the Company on or before the relevant acceptance date.

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 the 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.

As at the date of this report, the remaining life of the Share Option Scheme is approximately 9 years and 4 months.

(6) Subscription price for shares

Subject to adjustment under the Share Option Scheme, the subscription price of a share of the Company 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, but shall not be less than the highest of: (i) the official closing price of the shares of the Company 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 the shares of the Company 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.

Further details of the Share Option Scheme are set out in Appendix IV to the Prospectus under the section headed "Statutory and general information – D. Other information – 1. Share Option Scheme".

NON-COMPETITION UNDERTAKINGS

Macau E&M Group Limited, Macau E&M Assets Limited, Mr. Cheong and Mr. Leong (together, the "**Covenantors**") have entered into the deed of non-competition on 21 August 2020 (the "**NCU**") in favour of the Company (for itself and as trustee for each of its subsidiaries from time to time), under which each of the Covenantors has jointly and severally undertaken to the Company that he/it shall not, and shall procure that none of their respective close associates (other than members of the Group) shall, during the period that (a) the shares of the Company remain listed on the Stock Exchange; and (b) either the Covenantors and their respective close associates (other than members of the Group), individually or jointly, are entitled to exercise, or control the exercise of, not less than 30% of the voting power at general meetings of the Company and not less than 10% of the voting power from the substantial shareholders of the Company; or (c) any of the Covenantors or their respective close associates remains as a director of any member of the Group, directly or indirectly, either on their own account, in conjunction with, on behalf of, or through any person, firm or company, among other things, carry on, participate or be interested, engaged or otherwise involved in or acquire or hold (in each case whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) any business that directly or indirectly be involved in or any business that directly or indirectly competes, or may compete, with our business or undertaking and any other new business which the Group may undertake from time to time after the listing of the shares of the Company on the Main Board of the Stock Exchange.

The Covenantors have confirmed to the Company the compliance with the non-competition undertakings during the Year. The independent non-executive Directors had reviewed the status of compliance and the confirmation provided by each of the Covenantors as part of the annual review process. On the basis that: (i) the Company has received the confirmations from all of them regarding the undertakings; (ii) there was no competing business reported by them; and (iii) there was no particular situation rendering the full compliance of the undertakings being questionable, the independent non-executive Directors are of the view that the undertakings have been complied with and been enforced by the Company in accordance with the terms..

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors or their respective close associates is or was interested in any business apart from the Group's business that competes or competed or is or was likely to compete, either directly or indirectly, within the Group's business at any time during the period from the Listing Date and up to the date of this report.

EQUITY-LINKED AGREEMENTS

No other equity-linked agreements were entered into by the Group, or existed during the Year.

SUBSIDIARIES

Details of subsidiaries of the Company as at 31 December 2020 are set out in Note 23 to the consolidated financial statements.

BORROWINGS

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.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

MAJOR CUSTOMERS, SUBCONTRACTORS AND SUPPLIERS

During the Year, the percentage of revenue attributable to the largest customer and the five largest customers of the Group accounted for approximately 60.4% and 98.4% of the Group's total revenue respectively.

During the Year, the largest subcontractor and the five largest subcontractors of the Group accounted for approximately 15.2% and 46.2% of the total cost of sales of the Group respectively.

During the Year, the largest supplier and the five largest suppliers of the Group accounted for approximately 4.8% and 12.0% of the total cost of sales of the Group respectively.

None of the Directors, their close associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

EMOLUMENT POLICY

The Group enters into employment contracts with its employees in accordance with the applicable labour laws of Hong Kong and Macau. The remuneration package that is offered to employees generally includes salary, allowance, benefit-in-kind, and fringe benefits including medical insurance and contributions to pension funds and bonus. The Group also operates the Share Option Scheme to incentivise its employees, details of which are set out in the section headed "Share Option Scheme" on pages 52 to 53 of this report. In general, the Group determines salaries of its employees based on each employee's qualification, position and seniority. The Group has, from time to time, provided training to its employees on various aspects including but not limited to project management, occupational health and safety, environmental protection, and accounting and finance. The Group believes that the quality and safety of its staff play a crucial role in its operations. It emphasises the importance of health and safety with its employees and staff members, and provides on-site training to its workers. All its workers are required to obtain certified training on occupational health and safety before entering the construction sites. As the Group is a main contractor for some projects, it applies for work permits for its non-Macau resident workers on a project-by-project basis.

As at 31 December 2020, the Group had 71 (31 December 2019: 71) employees in Macau, comprising 40 Macau residents and 31 non-Macau residents (31 December 2019: 43 Macau residents and 28 non-Macau residents). During the Year, the Group recorded staff costs of MOP10.9 million (previous year: MOP12.5 million).

During the year, the total contributions paid or payable by the Group to the defined contribution retirement benefits schemes were charged to the profit or loss, at rates specified in the rules of scheme. At 31 December 2020 and 2019, there were no forfeited contributions which arose upon employees leaving the schemes.

DIRECTORS' EMOLUMENTS

Details of the remuneration of the Directors for Year are set out in Note 10 to the consolidated financial statements.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float as required under the Listing Rules since the Listing and up to the date of this report.

AUDIT COMMITTEE

The Company established an Audit Committee on 21 August 2020 with written terms of reference in compliance with the CG Code. The primary duties and roles of the Audit Committee include, but are not limited to, (a) making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal; (b) monitoring integrity of financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and reviewing significant financial reporting judgments contained in them; and (c) reviewing the financial controls, risk management and internal control systems of the Group.

The Audit Committee currently consists of three independent non-executive Directors, namely Mr. Law Lap Tak (as chairman), Mr. Chan Ming Kit and Ms. Lee Sze Ming. The Audit Committee has reviewed the audited consolidated financial statements of the Group for the Year.

AUDITORS

The shares of the Company were listed on the Stock Exchange on 11 September 2020 and there has been no change in auditor since then. The consolidated financial statements for the Year were audited by Deloitte Touche Tohmatsu whose term of office will expire upon the conclusion of the 2021 AGM. A resolution for the re-appointment of Deloitte Touche Tohmatsu as auditors of the Company for the subsequent year is to be proposed at the 2021 AGM.

By order of the Board
Macau E&M Holdings Limited
Cheong Ka Wo
Chairman

Hong Kong, 26 March 2021

Independent Auditor's Report

TO THE SHAREHOLDERS OF MACAU E&M HOLDING LIMITED
濠江機電控股有限公司
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Macau E&M Holding Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 60 to 114, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("**the Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition for construction contracts	

We identified the revenue recognition of electrical and mechanical engineering works as a key audit matter due to significant management judgements and estimation are required in the determination of the total outcome of the contracting service contracts as well as the progress towards complete satisfaction of contracting service.
 	
The Group provides services for electrical and mechanical engineering works. The Group has recognised revenue from electrical and mechanical engineering works of MOP272,519,000 for the year ended 31 December 2020 as described in note 5 to the consolidated financial statements.
 	
As set out in note 5 to the consolidated financial statements, the Group recognises contract revenue of electrical and mechanical engineering works according to the management's judgements and estimation of the total outcome of the contracting service contracts as well as the progress towards complete satisfaction of contracting service which is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation relative to the total expected inputs to the satisfaction of that performance obligation.
	Our procedures in relation to the revenue recognition for construction contracts included:
	
	• Obtaining an understanding of the relevant key controls over recognition of revenue from construction contracts;
	
	• Assessing the Group's revenue recognition practices to determine if they are in accordance with the relevant accounting standards;
	
	• On a sample basis,
	
	  • Agreeing projects contract sum to signed contracts and variation orders;
	
	  • Assessing the reasonableness of the estimates used by the management in arriving at the total budget cost, agreeing the estimates to supporting documents and performing review of completed projects;
	
	  • Comparing the actual cost incurred during the year to the supporting documents of subcontractors, suppliers and direct labour to ensure the validity and accuracy of the costs;
	
	  • Visiting the construction sites and interviewing the project managers to understand the completion status of the relevant construction projects; and.
	
	  • Evaluating the reasonableness of progress towards complete satisfaction of construction contracts to test the accuracy of revenue recognition for the year.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Fung Hin Chiu.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

26 March 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 31 December 2020

	Notes	2020 MOP'000	2019 MOP'000
Revenue	5	**276,790**	237,680
Cost of services		**(216,959)**	(184,583)
Gross profit		**59,831**	53,097
Other income	6	**1,023**	11
Impairment loss under expected credit loss model, net of reversal	8	**25**	(183)
Administrative expenses		**(15,899)**	(6,863)
Finance costs	7	**(81)**	(68)
Listing expenses		**(15,135)**	–
Profit before tax		**29,764**	45,994
Income tax expense	11	**(3,091)**	(5,456)
Profit and total comprehensive income for the year	9	**26,673**	40,538
Basic and diluted earnings per share (MOP cents)	13	**6.23**	10.21

Consolidated Statement of Financial Position

At 31 December 2020

	Notes	2020 MOP'000	2019 MOP'000
Non-current assets			
Property, plant and equipment	14	**452**	741
Right-of-use assets	15	**1,483**	1,249
Deposits	17	**13,838**	–
		15,773	1,990
Current assets			
Contract assets	16	**51,371**	76,915
Trade and other receivables	17	**40,218**	50,820
Pledged bank deposits	18	**–**	2,710
Short-term bank deposits	18	**62,651**	–
Bank balances and cash	18	**90,832**	34,038
		245,072	164,483
Current liabilities			
Contract liabilities	19	**11,180**	30,651
Trade and other payables	20	**32,557**	17,557
Lease liabilities	21	**1,018**	638
Tax liabilities		**5,604**	14,532
		50,359	63,378
Net current assets		**194,713**	101,105
Non-current liability			
Lease liabilities	21	**314**	664
Net assets		**210,172**	102,431
Capital and reserves			
Share capital	22	**5,150**	–*
Reserves		**205,022**	102,431
Total equity		**210,172**	102,431

* less than MOP1,000

The consolidated financial statements on pages 60 to 63 were approved and authorised for issue by the Board of Directors on 26 March 2021 and are signed on its behalf by:

CHEONG Ka Wo
DIRECTOR

LEONG Kam Leng
DIRECTOR

Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2020

	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 2019	–*	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 year	–	–	–	–	26,673	26,673
Issue of shares pursuant to capitalisation issue (note 22)	4,088	(4,088)	–	–	–	–
Issue of shares pursuant to public offering (note 22)	1,062	105,131	–	–	–	106,193
Share issue costs	–	(25,125)	–	–	–	(25,125)
At 31 December 2020	**5,150**	**111,487**	**30**	**(35,509)**	**129,014**	**210,172**

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 meets 50% of its registered capital. The reserve is not distributable to shareholders.

Note 2: Other reserves represent the difference between the carrying amount MOP60,000 of total equity of Kento Engineering Company Limited ("**Kento**") 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 which was completed on 4 December 2017 in preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited.

* less than MOP1,000

Consolidated Statement of Cash Flows

For the Year Ended 31 December 2020

	2020 MOP'000	2019 MOP'000
OPERATING ACTIVITIES		
Profit before tax	**29,764**	45,994
Adjustments for:		
Finance costs	**81**	68
Depreciation of		
– Property, plant and equipment	**306**	376
– Right-of-use assets	**814**	875
Impairment loss under expected credit loss model, net of reversal	**(25)**	183
Bank interest income	**(282)**	(11)
Operating cash flows before movements in working capital	**30,658**	47,485
(Increase) decrease in trade and other receivables	**(6,289)**	14,834
Decrease (increase) in contract assets	**25,540**	(52,389)
Increase in trade and other payables	**15,000**	2,334
(Decrease) increase in contract liabilities	**(19,471)**	8,675
Net cash generated from operations	**45,438**	20,939
Income tax paid	**(12,019)**	(4,480)
NET CASH FROM OPERATING ACTIVITIES	**33,419**	16,459
INVESTING ACTIVITIES		
Placement of short-term bank deposits	**(73,181)**	–
Purchase of property, plant and equipment	**(17)**	(10)
Redemption of short-term bank deposits	**10,530**	–
Redemption of pledged bank deposits	**2,710**	–
Interest received	**44**	11
Placement of pledged bank deposits	**–**	(11)
NET CASH USED IN INVESTING ACTIVITIES	**(59,914)**	(10)
FINANCING ACTIVITIES		
Proceeds from issue of shares	**106,193**	–
Share issue costs paid	**(21,805)**	(142)
Repayment of lease liabilities	**(1,018)**	(932)
Interest paid	**(81)**	(68)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**83,289**	(1,142)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**56,794**	15,307
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**34,038**	18,731
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		
Represented by bank balances and cash	**90,832**	34,038

Notes to Consolidated Financial Statements

For the Year Ended 31 December 2020

1. GENERAL INFORMATION

Macau E&M Holding Limited (the "**Company**") was incorporated in the Cayman Islands as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 24 October 2017. Its registered office is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The address of its principal place of business is located at Est. Marginal do Hipódromo, 56-68, Edf. Ind. Lee Cheung, 13/D, Macau.

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

The consolidated financial statements are presented in Macanese Pataca ("**MOP**"), which is the same as the functional currency of the Company.

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

The Group has early and consistently 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 of the year ended 31 December 2019 and 2020.

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]
Amendments to IFRS 16	Covid-19-Related Rent Concessions[4]
Amendments to IFRS 3	Reference to the Conceptual Framework[2]
Amendments to IFRS 9, IAS 39 and IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2[5]
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 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to IAS 8	Definition of Accounting Estimates[1]
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use[2]
Amendments to IAS 37	Onerous Contracts – Cost of Fulfiling a Contract[2]
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018 – 2020[2]

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

[1] Effective for annual periods beginning on or after 1 January 2023.

[2] Effective for annual periods beginning on or after 1 January 2022.

[3] Effective for annual periods beginning on or after a date to be determined.

[4] Effective for annual periods beginning on or after 1 June 2020.

[5] Effective for annual periods beginning on or after 1 January 2021.

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

Amendments to IAS 1 Classification of Liabilities as Current or Non-current

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

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

  (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and

  (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date.

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

Based on the Group's outstanding liabilities at 31 December 2020, the application of the amendments will not result in reclassification of the Group's liabilities.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") ("**Listing Rules**") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have 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 consolidated financial statements are 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 *Leases* ("**IFRS 16**"), and measurements that have some similarities to fair value but are not fair value, such as 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

(continued)

3.2 Significant accounting policies

Basis of consolidation

The consolidated financial statements incorporate 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 statement of profit or loss and other comprehensive income from the date the Group gains control 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

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 yet unconditional. It is assessed for impairment in accordance with IFRS 9 *Financial Instruments* ("**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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Revenue from contracts with customers (continued)

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Input method

The progress towards complete satisfaction of a performance obligation 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 relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

Variable consideration

For contracts that contain variable consideration, the Group estimates the amount of consideration to which it will be entitled using the most likely amount, which better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price 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.

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 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Leases (continued)

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.

Short-term leases

The Group applies the short-term lease recognition exemption to leases of car parks and apartments 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 over the lease term.

Right-of-use assets

The cost of right-of-use assets 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 statement of financial position.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

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; and
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

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.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under “other income”.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

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. Taxable profit differs from profit before tax 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 consolidated financial statements and the corresponding tax bases 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Taxation (continued)

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 statement 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 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

(continued)

3.2 Significant accounting policies (continued)

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 *Revenue from Contracts with Customers*. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("**FVTPL**") 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 FVTPL 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.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

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 expected credit loss ("**ECL**") model on financial assets (including deposits, interest receivables, trade receivables, pledged bank deposits, short-term bank deposits and bank balances) and contract assets which are subject to impairment assessment 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, in which case 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

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; and
- 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.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

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 and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

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.

Lifetime ECL for trade receivables and contract assets are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

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 the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

Financial liabilities (including trade payables) 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

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 testing a cash-generated unit for impairment, corporates assets are allocated to the relevant 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 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 (or a cash-generating unit) 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Impairment on property, plant and equipment and right-of-use assets (continued)

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 immediately in profit or loss.

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.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3.2, 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.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Construction contracts in respect of electrical and mechanical engineering works

The Group reviews and revises the estimated total costs to complete the satisfaction of electrical and mechanical engineering works and the margin of each project as the contract progresses. Budgeted costs and margins 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 progress towards complete satisfaction, 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.

Provision of ECL for trade receivables and contract assets

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 internal credit ratings are 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 every 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 contract assets, trade receivables and ECL are disclosed in notes 16, 17 and 26b respectively.

At 31 December 2020, the carrying amounts of trade receivables (net of allowance for credit losses) of the Group were approximately MOP39,310,000 (2019: MOP40,991,000) (note 17). At 31 December 2020, the carrying amounts of contract assets (net of allowance for credit losses) of the Group were approximately MOP51,371,000 (2019: MOP76,915,000) (note 16).

5. 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 3.2. 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

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

(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.

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.

5. REVENUE AND SEGMENT INFORMATION (continued)

(ii) Performance obligations for contracts with customers (continued)

Construction contracts (continued)

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 the most likely amount. 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.

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.

5. REVENUE AND SEGMENT INFORMATION (continued)

(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:

At 31 December 2020

	Electrical and mechanical engineering works MOP'000	Maintenance and repair services MOP'000
Within one year	**213,570**	**4,059**
More than one year but not more than two years	**14,672**	**1,035**
	228,242	**5,094**

At 31 December 2019

	Electrical and mechanical engineering works MOP'000	Maintenance and repair services MOP'000
Within one year	197,359	2,017
More than one year but not more than two years	2,137	2,834
	199,496	4,851

(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.

5. REVENUE AND SEGMENT INFORMATION (continued)

(v) Information about major customers

Revenue from customers in respect of electrical and mechanical engineering works and maintenance and repair services of the year contributing over 10% of the total revenue of the Group are as follows:

	2020 **MOP'000**	2019 MOP'000
Customer A	**60,989**	58,759
Customer B1	**55,405**	53,230
Customer B2	**76,021**	N/A*
Customer C	**N/A***	52,460

* Revenue from the relevant customer was less than 10% of the Group's total revenue for the respective year.

Note: Customers B1 and B2 are entities belonging to the same group.

6. OTHER INCOME

	2020 **MOP'000**	2019 MOP'000
Bank interest income	**282**	11
Government grant	**200**	–
Foreign exchange gains	**155**	–
Others	**386**	–
	1,023	11

During the current year, the Group recognised a government grant of MOP200,000 in respect of Covid-19-related subsidies, which relates to the Employment Support Scheme provided by the Macau government.

7. FINANCE COSTS

Finance costs represent interest on lease liabilities.

8. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	2020 MOP'000	2019 MOP'000
Impairment losses recognised (reversed) on:		
– Trade receivables	**(29)**	54
– Contract assets	**4**	129
	(25)	183

Details of impairment assessment are set out in note 26b.

9. PROFIT FOR THE YEAR

	2020 MOP'000	2019 MOP'000
Profit for the year has been arrived at after charging (crediting):		
Directors' emoluments (note 10)	**1,727**	749
Other staff costs:		
– Salaries and other allowances	**24,684**	21,574
– Retirement benefit scheme contributions	**110**	86
Total staff costs	**26,521**	22,409
Less: amounts included in cost of services	**(19,515)**	(18,130)
	7,006	4,279
Auditor's remuneration	**1,682**	–
Depreciation of		
– Property, plant and equipment	**306**	376
– Right-of-use assets	**814**	875
Legal and professional fees	**1,412**	41

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and Hong Kong Companies Ordinance, is as follows:

Year ended 31 December 2020

	Fee MOP'000	Salaries and other allowances MOP'000	Discretionary bonus MOP'000	Retirement benefit scheme contributions MOP'000	Total MOP'000
Executive directors (note a):					
Mr. Cheong Ka Wo ("**Mr. Cheong**")	–	1,417	–	1	1,418
Mr. Leong Kam Leng ("**Mr. Leong**")	–	183	–	–*	183
	–	1,600	–	1	1,601
Independent non-executive directors (note b):					
Mr. Law Lap Tak	42	–	–	–	42
Mr. Lee Sze Ming	42	–	–	–	42
Mr. Chan Ming Kit	42	–	–	–	42
	126	–	–	–	126
	126	1,600	–	1	1,727

* less than MOP1,000

Notes:

(a) The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

(b) The independent non-executive directors' emoluments shown above were for their services as directors of the Company, who were appointed on 11 September 2020.

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

Directors (continued)

Year ended 31 December 2019

	Fee MOP'000	Salaries and other allowances MOP'000	Discretionary bonus MOP'000	Retirement benefit scheme contributions MOP'000	Total MOP'000
Executive directors:					
Mr. Cheong	–	748	–	1	749
Mr. Leong	–	–	–	–	–
	–	748	–	1	749

Employees

The five highest paid individuals of the Group for the year include one (2019: one) executive director. The emoluments of the remaining four (2019: four) individuals of the Group for the year are as follows:

	2020 MOP'000	2019 MOP'000
Salaries and other allowances	**2,724**	2,789
Discretionary bonus (note)	**2,517**	2,090
Retirement benefit scheme contributions	**4**	5
	5,245	4,884

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:

	2020	2019
Nil to Hong Kong dollars ("HK$") 1,000,000	**1**	1
HK$1,000,001 to HK$1,500,000	**3**	3

During both years, 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 joint or upon joining the Group or as compensation for loss of office. No director has waived or agreed to waive any emoluments during the years ended 31 December 2020 and 2019.

11. INCOME TAX EXPENSE

	2020 MOP'000	2019 MOP'000
Current tax:		
Macau Complementary Tax	**5,605**	5,456
Overprovision in prior years	**(2,514)**	–
	3,091	5,456

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.

Income tax expense for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2020 MOP'000	2019 MOP'000
Profit before tax	**29,764**	45,994
Tax charge at Macau Complementary Tax rate of 12%	**3,572**	5,519
Tax effect of expenses not deductible for tax purposes	**2,105**	9
Special complementary tax incentive	**(72)**	(72)
Overprovision in prior years	**(2,514)**	–
Tax charge for the year	**3,091**	5,456

12. DIVIDENDS

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

13. 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 MOP'000	2019 MOP'000
Earnings		
Earnings for the purpose of calculating basic and diluted earnings per share (profit for the year attributable to the owners of the Company)	**26,673**	40,538

	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share	**428,450**	396,900

The weighted average number of ordinary shares for the purpose of basic earnings per share has been adjusted retrospectively for the capitalisation of shares as disclosed in note 22.

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

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements MOP'000	Motor vehicles MOP'000	Office equipment MOP'000	Fixture and fixtures MOP'000	Machinery MOP'000	Total MOP'000
COST						
At 1 January 2019	1,429	140	227	411	9	2,216
Additions	–	–	10	–	–	10
At 31 December 2019	1,429	140	237	411	9	2,226
Additions	–	–	11	6	–	17
At 31 December 2020	**1,429**	**140**	**248**	**417**	**9**	**2,243**
DEPRECIATION						
At 1 January 2019	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 year	189	–	39	76	2	306
At 31 December 2020	**1,136**	**139**	**186**	**323**	**7**	**1,791**
CARRYING VALUES						
At 31 December 2020	**293**	**1**	**62**	**94**	**2**	**452**
At 31 December 2019	482	1	90	164	4	741

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 MOP'000	Warehouse MOP'000	Car park MOP'000	Printers MOP'000	Total MOP'000
COST					
At 1 January 2019	989	1,332	–	329	2,650
Additions	878	–	68	–	946
At 31 December 2019	1,867	1,332	68	329	3,596
Additions	–	1,048	–	–	1,048
At 31 December 2020	**1,867**	**2,380**	**68**	**329**	**4,644**
DEPRECIATION					
At 1 January 2019	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	410	299	34	71	814
At 31 December 2020	**1,311**	**1,529**	**60**	**261**	**3,161**
CARRYING VALUES					
At 31 December 2020	**556**	**851**	**8**	**68**	**1,483**
At 31 December 2019	966	102	42	139	1,249

	2020 MOP'000	2019 MOP'000
Expense relating to short-term leases	**385**	302
Total cash outflow for leases (note a)	**1,484**	1,302
Additions to right-of-use assets (note b)	**1,048**	946

Notes:

(a) Amount includes payments of principal and interest portion of lease liabilities, short-term leases and payments of lease payments on or before lease commencement date. These amounts are presented in operating or financing cash flows.

(b) Amount includes right-of-use assets resulting from new leases entered.

For both years, the Group leases office premises, warehouse, car park and printers for its operations. Lease contracts are entered into for fixed term of one to five years (2019: one to five 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.

15. RIGHT-OF-USE ASSETS (continued)

The Group regularly entered into short-term leases for car parks and apartment. At 31 December 2020 and 2019, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense incurred during the year.

During the current year, the Group entered into new lease agreement for the use of a warehouse (2019: use of office premises and a car park). Lease liabilities of MOP1,048,000 (2019: MOP946,000) are recongised with related right-of-use assets attributable to new leases entered into. The lease agreement does not impose any covenants leased assets may not be used as security for borrowing purposes. These are the major non-cash lease related transactions for the current year.

16. CONTRACT ASSETS

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

	2020 MOP'000	2019 MOP'000
Contract assets from contracts with customers	**51,535**	77,075
Less: allowance for credit losses (note 26b)	**(164)**	(160)
	51,371	76,915
Represented by:		
Electrical and mechanical engineering works	**51,201**	74,366
Maintenance and repair services	**170**	2,549
	51,371	76,915
Analysed as current		
Unbilled revenue	**44,804**	69,608
Retention receivables	**6,567**	7,307
	51,371	76,915

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:

16. CONTRACT ASSETS (continued)

Construction contracts

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

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

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

At 31 December 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 **MOP'000**	2019 MOP'000
Within one year	**1,657**	2,072
After one year	**4,910**	5,235
	6,567	7,307

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.

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 26b.

17. TRADE AND OTHER RECEIVABLES

	2020 MOP'000	2019 MOP'000
Trade receivables from contracts with customers	**39,439**	41,149
Less: allowance for credit losses (note 26b)	**(129)**	(158)
	39,310	40,991
Other receivables, deposits and prepayments		
– Deposits (note)	**14,002**	6,162
– Prepayments	**506**	347
– Deferred share issue costs	**–**	3,320
– Interest 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

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

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

17. TRADE AND OTHER RECEIVABLES (continued)

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 MOP'000	2019 MOP'000
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

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.

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 26b.

18. PLEDGED BANK DEPOSITS/SHORT-TERM BANK DEPOSITS/BANK BALANCES AND CASH

	2020 MOP'000	2019 MOP'000
Pledged bank deposits	**–**	2,710
Short-term bank deposits	**62,651**	–
Bank balances and cash	**90,832**	34,038

Pledged bank deposits represent bank deposits which are pledged to secure bank guarantee to the Group. At 31 December 2019, the pledged bank deposits carried interest at a fixed rate of 0.53% per annum.

18. PLEDGED BANK DEPOSITS/SHORT-TERM BANK DEPOSITS/BANK BALANCES AND CASH (continued)

At 31 December 2020, the short-term bank deposits carried interest rates ranging from 1.2% to 1.9% per annum and with original maturity more than three months.

Bank balances carry at prevailing market interest rate of 0.01% (2019: 0.01%) per annum.

The Group's pledged bank deposits, short-term bank deposits and bank balances and cash that are denominated in a currency other than the functional currency of the relevant group entities are set out below:

	2020 **MOP'000**	2019 MOP'000
HK$	**144,675**	18,304

Details of impairment assessment are set out in note 26b.

19. CONTRACT LIABILITIES

	2020 **MOP'000**	2019 MOP'000
Contract liabilities from contract with customers in relation to electrical and mechanical engineering works	**11,180**	30,651

At 1 January 2019, contract liabilities amounted to MOP21,976,000.

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

The following table shows how much of the revenue recognised relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in prior periods.

	2020 **MOP'000**	2019 MOP'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	**30,651**	21,976

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

Construction contracts

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

20. TRADE AND OTHER PAYABLES

	2020 MOP'000	2019 MOP'000
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	2019 MOP'000
0 – 90 days	**19,498**	7,500
91 – 365 days	**–**	1,167
1 – 2 years	**–**	949
	19,498	9,616

21. LEASE LIABILITIES

	2020 MOP'000	2019 MOP'000
Lease liabilities payable:		
Within one year	**1,018**	638
Within a period of more than one year but not more than two years	**312**	487
Within a period of more than two years but not more than five years	**2**	177
	1,332	1,302
Less: Amount due for settlement with 12 months shown under current liabilities	**(1,018)**	(638)
Amount due for settlement after 12 months shown under non-current liability	**314**	664

The weighted average incremental borrowing rate applied to lease liabilities is 5% (2019: 5%).

22. SHARE CAPITAL OF THE COMPANY

	Number of shares	Share capital MOP'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2019 and 31 December 2019	38,000,000	391
Increase in authorised share capital	1,962,000,000	20,209
At 31 December 2020	**2,000,000,000**	**20,600**
Issued and fully paid:		
At 1 January 2019 and 31 December 2019	1,000	–*
Issue of shares pursuant to capitalisation issue (note a)	396,899,000	4,088
Issue of shares pursuant to public offering (note b)	103,100,000	1,062
At 31 December 2020	**500,000,000**	**5,150**

* less than MOP1,000.

Notes:

(a) On 21 August 2020, the Company increased its authorised share capital from HK$380,000 (equivalent to MOP391,400) divided into 38,000,000 ordinary shares of HK$0.01 each to HK$20,000,000 (equivalent to MOP20,600,000) divided into 2,000,000,000 ordinary shares of HK$0.01 each.

On 11 September 2020, a total of 396,899,000 ordinary shares were allotted and issued, credited as fully paid at par, by way of capitalisation of a sum of HK$3,968,990 (equivalent to MOP4,088,060) standing to the credit of the share premium account of the Company, and that such shares to be allotted and issued to the persons whose names appear on the register of members of the Company.

(b) On 11 September 2020, 103,100,000 ordinary shares with a par value of HK$0.01 each of the Company were issued at a price of HK$1.00 (equivalent to MOP1.03) by way of public offering. On the same date, the Company's shares were listed on the Stock Exchange.

All shares issued during the year ended 31 December 2020 rank pari passu with the then existing shares in issue in all aspects.

23. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the subsidiaries directly and indirectly held by the Company at the end of the reporting period are set out below.

Name of subsidiary	Place of operation	Place and the date of incorporation/ establishment	Issued and fully paid capital	Shareholding/equity interest attributable to the Company		Principal activities
				2020	2019	
Directly held:						
Macau E&M Company Limited	British Virgin Islands	British Virgin Islands 30 October 2017	HK$1	**100%**	100%	Investment holding
Indirectly held:						
Kento	Macau	Macau 27 January 2011	MOP60,000	**100%**	100%	Electrical and mechanical engineering services

24. 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.

25. 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 from prior year.

The Group regards capital as the 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.

26. FINANCIAL INSTRUMENTS

26a. Categories of financial instruments

	2020 MOP'000	2019 MOP'000
Financial assets		
Amortised cost (including bank balances)	**207,033**	83,901
Financial liabilities		
Amortised cost	**19,498**	9,616
Lease liabilities	**1,332**	1,302

26b. Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, deposits, interest receivables, pledged bank deposits, short-term bank deposits, bank balances and trade payables. 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), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

The Group collects 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's 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.

26. FINANCIAL INSTRUMENTS (continued)

26b. Financial risk management objectives and policies (continued)

Market risk (continued)

Currency risk (continued)

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		Liabilities	
	2020	2019	**2020**	2019
	MOP'000	MOP'000	**MOP'000**	MOP'000
HK$	**190,728**	18,304	**11,137**	–

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 is also exposed to fair value interest rate risk in relation to fixed-rate pledged bank deposits and fixed bank deposits. 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 31 December 2020 and 2019, 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 statement of financial position. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

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

As at 31 December 2020, the Group has concentration of credit risk as 76% (2019: 66%) of the total trade receivables and contract assets from the Group's five largest customers. 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.

26. FINANCIAL INSTRUMENTS (continued)

26b. Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Trade receivables and contract assets arising from contracts with customers (continued)

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 categories 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. Trade receivables and contract assets are assessed collectively using a provision matrix with appropriate groupings. In this regard, the management of the Company consider that the Group's credit risk is significantly reduced.

Deposits and interest receivables

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.

The management of the Group believes that there is no material credit risk inherent in the Group's outstanding balance of deposits and interest receivables.

26. FINANCIAL INSTRUMENTS (continued)

26b. Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Pledged bank deposits, short-term bank deposits and bank balances

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	12m ECL
Low list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL – not credit-impaired	12m 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

26. FINANCIAL INSTRUMENTS (continued)

26b. Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

The tables below detail the credit risk exposures of the Group's financial assets and contract assets, which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12m or lifetime ECL	Gross carrying amount At 31 December 2020 MOP'000	Gross carrying amount At 31 December 2019 MOP'000
Deposits	1	N/A	Low risk	12m ECL	**14,002**	6,162
Interest receivables		AA+	N/A	12m ECL	**238**	–
Trade receivables from contracts with customers	2	N/A	Very low risk	Lifetime ECL	**266**	3,874
			Low risk		**33,342**	36,015
			High risk		**5,831**	1,260
					39,439	41,149
Contract assets	2	N/A	Very low risk	Lifetime ECL	**1,064**	1,064
			Low risk		**37,181**	76,011
			High risk		**13,290**	–
					51,535	77,075
Pledged bank deposits		AA+	N/A	12m ECL	**–**	2,710
Short-term bank deposits		AA+	N/A	12m ECL	**62,651**	–
Bank balances and cash		AA+	N/A	12m ECL	**90,832**	34,038

26. FINANCIAL INSTRUMENTS (continued)

26b. Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Notes:

1. 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.

	Not past due MOP'000	Total MOP'000
At 31 December 2020		
Deposits	**14,002**	**14,002**
At 31 December 2019		
Deposits	6,162	6,162

2. 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.

Internal credit rating

As part of the Group's credit risk management, the Group applies internal credit ratings to assess the impairment for its customers because these customers consist of a large number of small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. 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

		2020		2019	
Internal credit rating	Average loss rate	Trade receivables MOP'000	Contract assets MOP'000	Trade receivables MOP'000	Contract assets MOP'000
Very low risk	0.01%	**266**	**1,064**	3,874	1,064
Low risk	0.1% – 0.5%	**33,342**	**37,181**	36,015	76,011
High risk	0.7%	**5,831**	**13,290**	1,260	–
		39,439	**51,535**	41,149	77,075

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.

26. FINANCIAL INSTRUMENTS (continued)

26b. Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Internal credit rating (continued)

During the year ended 31 December 2020, the Group provided MOP293,000 (2019: MOP318,000) impairment allowance for trade receivables and contract assets respectively, based on the provision matrix.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables and contract assets under the simplified approach.

	Trade receivables MOP'000	Contract assets MOP'000	Total MOP'000
At 1 January 2019	104	31	135
Impairment losses under ECL model (note 8)	54	129	183
At 31 December 2019	158	160	318
Impairment losses under ECL model, net of reversal (note 8)	(29)	4	(25)
At 31 December 2020	**129**	**164**	**293**

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 to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

26. FINANCIAL INSTRUMENTS (continued)

26b. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

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 risk

	Weighted average effective interest rate %	Repayable on demand or less than 3 months MOP'000	3 months to 1 year MOP'000	1 to 2 years MOP'000	Over 2 years MOP'000	Total undiscounted cash flows MOP'000	Total carrying amount MOP'000
At 31 December 2020							
Non-derivative financial liabilities							
Trade payables	-	19,498	-	-	-	19,498	19,498
Lease liabilities	5	280	782	316	2	1,380	1,332
		19,778	782	316	2	20,878	20,830

	Weighted average effective interest rate %	Repayable on demand or less than 3 months MOP'000	3 months to 1 year MOP'000	1 to 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							
Trade payables	–	7,500	1,167	949	–	9,616	9,616
Lease liabilities	5	261	426	510	181	1,378	1,302
		7,761	1,593	1,459	181	10,994	10,918

26c. 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.

27. 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 18). 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:

	2020 MOP'000	2019 MOP'000
Issued to the Group by a bank	–	1,390

At 31 December 2020, the Group has obtained total credit facilities of MOP5,158,000 (2019: MOP12,378,000) for the issuance of performance bonds and these credit facilities were secured by the promissory notes of approximately MOP5,673,000 (2019: MOP13,616,000) provided by the Company.

28. 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 statement of cash flows as cash flows from financing activities.

	Lease liabilities MOP'000 (note 21)	**Accrued share issue costs MOP'000**	**Total MOP'000**
At 1 January 2019	1,288	142	1,430
Financing cash flows (Note)	(1,000)	(142)	(1,142)
New finance entered	946	–	946
Interest expense	68	–	68
At 31 December 2019	1,302	–	1,302
Financing cash flows (Note)	(1,099)	(21,805)	(22,904)
New lease entered	1,048	–	1,048
Share issue cost accrued	–	21,805	21,805
Interest expense	81	–	81
At 31 December 2020	**1,332**	**–**	**1,332**

Note: The cash flows make up the net amount of repayment of lease liabilities, interest paid, or share issue costs paid in the consolidated statement of cash flows.

29. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2020 MOP'000	2019 MOP'000
Non-current asset		
Investment in a subsidiary	**35,569**	35,569
Current assets		
Prepayments and deferred share issue costs	**230**	3,320
Bank balances and cash	**18,104**	1
Amount due from a subsidiary	**32,688**	–
	51,022	3,321
Current liabilities		
Accrued charges	**2,150**	60
Amount due to a subsidiary	**–**	3,622
	2,150	3,682
Net current assets (liabilities)	**48,872**	(361)
Net assets	**84,441**	35,208
Capital and reserves		
Share capital	**5,150**	– *
Reserves	**79,291**	35,208
Total equity	**84,441**	35,208

* less than MOP1,000

29. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Movement on the Company's reserve

	Share premium MOP'000	Accumulated losses MOP'000	Total MOP'000
At 1 January 2019	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 year	–	(31,835)	(31,835)
Issue of shares pursuant to capitalisation issue (note 22)	(4,088)	–	(4,088)
Issue of shares pursuant to public offering (note 22)	105,131	–	105,131
Share issue costs	(25,125)	–	(25,125)
At 31 December 2020	**111,487**	**(32,196)**	**79,291**

Summary of Financial Information

A Summary of the results and assets and liabilities of the Group for the four financial years. As extracted from the audited consolidated financial statements and the Prospectus is set out below. No financial statements of the Group for year ended 31 December 2016 have been published.

	Year ended 31 December			
	2020	2019	2018	2017
	MOP'000	MOP'000	MOP'000	MOP'000
RESULTS				
Revenue	**276,790**	237,680	218,254	160,752
Profit before tax	**29,764**	45,994	32,395	34,478
Income tax expense	**(3,091)**	(5,456)	(4,965)	(4,628)
Profit and total comprehensive income for the year	**26,673**	40,538	27,430	29,850
Basic and diluted earnings per share (MOP cents)	**6.23**	10.21	6.91	7.52

	At 31 December			
	2020	2019	2018	2017
	MOP'000	MOP'000	MOP'000	MOP'000
ASSETS AND LIABILITIES				
Total assets	**260,845**	166,473	113,936	80,463
Total liabilities	**(50,673)**	(64,042)	(52,043)	(36,000)
Net assets	**210,172**	102,431	61,893	44,463
Total equity	**210,172**	102,431	61,893	44,463