

TARGET

Intelligence Report

VOLUME XXII No. 217

S A T U R D A Y

October 10, 2020

**MACAU E AND M HOLDING LTD:
MANAGEMENT APPEARS TO SHUN BANK BORROWINGS,
WHILE BEING BEHOLDEN TO
A VERY SMALL NUMBER OF CUSTOMERS**

**But, To The Innovax Group Of Company,
Christmas 2020 Has Come A Mite Early**

As far as this medium is concerned, whenever there is a very material concentration of major customers in a publicly listed company, the red flag of danger must be hoisted, immediately.

Such is the case in respect of the flotation of Macau E and M Holding Ltd (濠江機電控股有限公司), a company, incorporated the Cayman Islands, but whose total operations are confined to the Macau Special Administrative Region (MSAR) of the People's Republic of China (PRC).

This Company sought and obtained a listing on the Main Board of The Stock Exchange of Hongkong Ltd, being rewarded with Stock Code, Number 1408.

On Monday, August 31, 2020, Macau E and M Holding Ltd published and disseminated its Global Offering Prospectus in the Hongkong Special Administrative Region (HKSAR) of the PRC.

At Pages 42 and 43 of the Global Offering Prospectus, under the heading, '**RISK FACTORS**', one discovers the following intelligence:

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

'A significant portion of our revenue was derived from a limited number of major customers during the Track Record Period (the 38-month period, ended February 29, 2020). During the Track Record Period, the revenue derived from our top five customers contributed to approximately 93.7%, 93.5%, 87.6% and 97.3% of our total revenue, respectively, and revenue derived from our largest customer contributed to approximately 57.9%, 40.4%, 30.5% and 85.9% of our total revenue, respectively...

‘In particular, Customer D, being our fifth largest customer in 2017, our second largest customer in 2018 and our largest customer in 2019 and for the two months ended 29 February 2020, accounted for approximately 4.8%, 29.2%, 30.5% and 85.9% of our total revenue during the Track Record Period, respectively. The significant increase in our revenue generated from Customer D from 2017 to 2019 was primarily attributable to the increase in our number of projects undertaken for Customer D directly from seven in 2017 to 35 and 34 in 2018 and 2019, respectively, and our performance of certain larger scale E&M projects for Customer D... Taking into account our projects on hand as at 30 June 2020, we expect to continue to derive a notable portion of our revenue from Customer D for the year ending 31 December 2020.

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

One must reward full marks for the honesty of Management of Macau E and M Holding Ltd in pointing out the above-mentioned, material risk factor, but that does not detract from the fact that such a managerial policy is, to say the least, not in the best, long-term interests of any corporate entity, let alone this one.

By the by, Customer D is described at Page 166 of the Global Offering Prospectus thusly:

‘A developer, owner and operator of integrated entertainment resort facilities in Asia whose shares are listed on the Nasdaq Stock Market with a market capitalisation of over US\$9.1 billion as at the Latest Practicable Date. Based on the annual report of its ultimate holding company for the year ended 31 December 2019, Customer D operates (i) a casino hotel located at Taipa, Macau; (ii) an integrated urban casino resort located in Cotai, Macau; and (iii) the largest non-casino based operations of electronic gaming machines in Macau. It also owns a majority stake in and operates a cinematically themed integrated entertainment, retail and gaming resort in Cotai, Macau.’

The Initial Public Offering (IPO) Of Macau E And M Holding Ltd

Management of Macau E and M Holding Ltd Offered a total of 103.10 million, one-cent New Shares, and two ‘*Selling Shareholders*’ – Bridge Capital Ltd, a company, domiciled in Samoa, the entire Issued and Fully Paid-Up Share Capital of which, being wholly owned by Mr Samuel Tsang Yuen Wai (曾源威), and One Wesco Incorporated, a company, domiciled in the **British Virgin Islands (BVI)**, the entire Issued and Fully Paid-Up Share Capital of which, being wholly owned by Mr Tam Chi Wai (譚志偉) – put up for sale at the time of the IPO, in aggregate, a total of 21.90 million Sale Shares.

The Indicative Offer Price Per Share of the entire 125 million Offer and Sales Shares, ranged from a low of \$HK1.00 to a high of \$HK1.20.

Investors of the HKSAR were afforded the opportunity to subscribe to 12.50 million Offer Shares (the HKSAR Offer Shares tranche) and International Investors – Institutional Investors, Professional Investors and select, Well-Heeled Investors, along with this class of investors’ corporate entities in which equity control was vested, were induced to put in valid applications for some of the 112.50 million International Placing Shares on Offer (the International Placing Shares tranche).

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