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SEM Holdings Limited
澳達控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 9929)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020

The board (the “**Board**”) of directors (the “**Directors**”) of SEM Holdings Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 December 2020 (the “**Year 2020**”) together with comparative figures for the year ended 31 December 2019 (the “**Year 2019**”) as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	<i>Notes</i>	2020 <i>MOP’000</i>	2019 <i>MOP’000</i>
Revenue	3	70,239	203,087
Cost of sales		(59,650)	(147,063)
Gross profit		10,589	56,024
Other income	5	1,275	176
Impairment losses under expected credit loss (“ECL”) model, net of reversal	6	(4,448)	(621)
Administrative expenses		(18,198)	(10,986)
Interest on lease liabilities		(96)	(156)
Listing expenses		(8,531)	(17,150)
(Loss) profit before taxation	7	(19,409)	27,287
Taxation	8	(806)	(7,020)
(Loss) profit and total comprehensive (expense) income for the year		(20,215)	20,267
(Loss) earnings per share (MOP cents)			
Basic	10	(1.04)	1.35
Diluted	10	(1.04)	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	<i>Notes</i>	2020 <i>MOP'000</i>	2019 <i>MOP'000</i>
Non-current assets			
Property, plant and equipment		15,822	15,665
Rental deposit		48	–
		15,870	15,665
Current assets			
Trade and other receivables	11	47,720	46,924
Contract assets	12	77,214	68,425
Amount due from a director		–	1,016
Amount due from immediate holding company		–	586
Amount due from a related company		4	–
Pledged bank deposits		19,434	34,110
Time deposit		6,474	7,055
Bank balances and cash		105,394	33,552
		256,240	191,668
Current liabilities			
Trade and other payables	13	27,390	45,714
Contract liabilities		4,612	63
Lease liabilities		761	1,101
Amount due to a director		23	367
Taxation payable		3,380	8,456
		36,166	55,701
Net current assets		220,074	135,967
Total assets less current liabilities		235,944	151,632
Non-current liability			
Lease liabilities		77	225
		235,867	151,407
Capital and reserves			
Share capital	14	20,630	464
Reserves		215,237	150,943
		235,867	151,407

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. GENERAL

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law Chapter 22 of the Cayman Islands on 6 November 2015 and its shares were listed on The Main Board of The Stock Exchange Hong Kong Limited (the “**Stock Exchange**”) on 14 February 2020 (the “**Listing**”).

The Company acts as an investment holding company and its subsidiaries are principally engaged in provision of electrical and mechanical engineering services.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the amendments to HKFRSs in the current year had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

3. REVENUE

	2020	2019
	<i>MOP’000</i>	<i>MOP’000</i>
Provision of electrical and mechanical engineering services	<u>70,239</u>	<u>203,087</u>

The customers of the Group are mainly main contractors and subcontractors in Macau. Contracts with the Group’s customers are mainly fixed-price contracts, except for the variation orders.

Disaggregation of revenue

	2020 <i>MOP'000</i>	2019 <i>MOP'000</i>
By property type		
Hotels and casino	65,615	158,043
Commercial properties	1,391	30,289
Residential properties	1,007	12,272
Others	2,226	2,483
	70,239	203,087

4. SEGMENT INFORMATION

The Group is engaged in a single operating segment focusing on the provision of electrical and mechanical engineering services. This operating segment has been identified on the basis of internal management reports that are regularly reviewed by the directors of the Company, being the chief operating decision makers, for the purpose of result allocation and performance assessment. Therefore, no further analysis of segment information is presented.

Geographical information

The Group's revenue is all derived from operation in Macau Special Administrative Region of the People's Republic of China ("Macau") and the Group's non-current assets located in Macau are amounted to MOP15,233,000 (2019: MOP15,340,000) and in Hong Kong are amounted to MOP637,000 (2019: MOP325,000), respectively.

Information about major customers

Revenue from customers contributing over 10% of the total revenue of the Group during the year are as follows:

	2020 <i>MOP'000</i>	2019 <i>MOP'000</i>
Customer A	45,578	98,122
Customer B	N/A*	46,120

* The corresponding revenue did not contribute over 10% of the total revenue of the Group during the year.

5. OTHER INCOME

	2020 <i>MOP'000</i>	2019 <i>MOP'000</i>
Interest income	500	174
Government grants	763	–
Others	12	2
	<u>1,275</u>	<u>176</u>

During the current year, the Group recognised government grants of MOP763,000 in respect of Covid-19-related subsidies, of which MOP613,000 relates to Employment Support Scheme provided by the Hong Kong government and MOP150,000 of one-off epidemic prevention subsidy provided by the Macau Government.

6. IMPAIRMENT LOSSES UNDER ECL MODEL, NET OF REVERSAL

	2020 <i>MOP'000</i>	2019 <i>MOP'000</i>
Impairment losses, net of reversal, recognised on:		
– trade receivables	806	485
– contract assets	3,642	136
	<u>4,448</u>	<u>621</u>

7. (LOSS) PROFIT BEFORE TAXATION

	2020 <i>MOP'000</i>	2019 <i>MOP'000</i>
(Loss) profit before taxation has been arrived at after charging:		
Director's remuneration	3,200	2,218
Other staff costs		
– salaries and other allowance	8,306	4,801
– retirement benefit scheme contributions	150	121
Total staff costs	11,656	7,140
Less: staff costs included in cost of services	<u>(1,747)</u>	<u>(919)</u>
	<u>9,909</u>	<u>6,221</u>
Auditor's remuneration	1,258	1,135
Depreciation of property, plant and equipment	2,047	2,136
Loss on disposal of property, plant and equipment	–	3
	<u>13,212</u>	<u>9,505</u>

8. TAXATION

	2020 <i>MOP'000</i>	2019 <i>MOP'000</i>
Macau Complementary Tax		
Current tax	1,106	7,020
Overprovision in prior year	<u>(300)</u>	<u>–</u>
	<u>806</u>	<u>7,020</u>

Macau Complementary Tax is calculated at 12% (2019: 12%) of the estimated assessable profits exceeding MOP600,000 for the year.

9. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 December 2020, nor has any dividend been proposed since the end of the reporting period (2019: nil).

10. (LOSS) EARNINGS PER SHARE

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

	2020 <i>MOP'000</i>	2019 <i>MOP'000</i>
(Loss) earnings		
(Loss) profit for the year	<u>(20,215)</u>	<u>20,267</u>
	2020	2019
	Number of	Number of
	shares	shares
	'000	'000
Weighted average number of shares		
Weighted average number of ordinary shares	<u>1,939,891</u>	<u>1,500,000</u>

The weighted average number of shares for the purpose of calculating basis (loss) earnings per share has been determined on the assumption that the Capitalisation Issue (details as disclosed in note 14) have been effective on 1 January 2019.

The calculation of diluted loss per share for the current year does not assume the exercise of the over-allotment option granted upon the Listing since the exercise of the option would not result in an increase in loss per share. No diluted earnings per share for the prior year were presented as there were no potential ordinary shares in issue during the prior year.

11. TRADE RECEIVABLES

Trade receivables amounted to MOP43,454,000 (2019: MOP39,823,000). The Group usually allows a credit period of 30 to 60 days to its customers. The following is an aging analysis of trade receivables net of allowance for credit losses based on the invoice dates at the end of the reporting period are as follows:

	2020 <i>MOP'000</i>	2019 <i>MOP'000</i>
Within 30 days	22,711	18,016
31 to 60 days	489	14,748
61 to 90 days	3,593	2,838
Over 90 days	16,661	4,221
	<u>43,454</u>	<u>39,823</u>

12. CONTRACT ASSETS

	2020 <i>MOP'000</i>	2019 <i>MOP'000</i>
Contract assets		
Provision of electrical and mechanical engineering services	<u>77,214</u>	<u>68,425</u>

The Group also typically agrees to a defect liability period of 1 year from the date of the practical completion of the construction for 5% to 10% of the contract sum. This amount of retention money is included in contract assets until the end of the defect liability period as the Group's entitlement to this final payment is conditional on completion of defect liability period. 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. The Group classifies these contract assets as current because the Group expects to realise them in its normal operating cycle.

Retention money is unsecured, interest-free and recoverable at the end of the defect liability period of 1 year from the date of the completion of respective projects.

13. TRADE PAYABLES

Trade payables amounted to MOP21,605,000 (2019: MOP34,060,000). The credit period of trade payables is ranging from 30 to 90 days. The following is an aging analysis of the trade payables based on the invoice date at the end of the reporting period:

	2020 <i>MOP'000</i>	2019 <i>MOP'000</i>
Within 30 days	9,822	27,900
31 to 60 days	91	1,009
61 to 90 days	–	5,058
Over 90 days	11,692	93
	<u>21,605</u>	<u>34,060</u>

14 SHARE CAPITAL

	Number of shares	Share capital <i>MOP'000</i>
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 January 2019, 31 December 2019 and 31 December 2020	5,000,000,000	51,500
Issued and fully paid:		
At 1 January 2019 and 31 December 2019	45,000,000	464
Capitalisation Issue (<i>Note i</i>)	1,455,000,000	15,008
Issue of shares (<i>Note ii</i>)	500,000,000	5,158
At 31 December 2020	2,000,000,000	20,630

Notes:

- (i) On 22 January 2020, 1,455,000,000 shares of the Company were issued through capitalisation of HK\$15,000,000 (approximately MOP15,008,000) standing to the credit of the share premium account of the Company.
- (ii) On 14 February 2020, the Company issued 500,000,000 new shares at HK\$0.25 each with gross proceeds of HK\$125,000,000 (approximately MOP128,938,000) by initial public offering and then the Company's shares have been listed on the Stock Exchange.

The new shares rank *pari passu* with the existing shares.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND MARKET PROSPECT

Ready System Engineering Limited was founded in 2006. We are a renowned and well-established electrical and mechanical (“E&M”) engineering works contractor in Macau with our focus on providing electrical-related E&M engineering works. The scope of our E&M engineering works mainly consisted of supply, installation and maintenance of electrical system, for new and existing buildings in the projects of commercial and residential development, hotel and casino development and renovation in Macau.

During the Year 2020, 10 E&M engineering services projects with an aggregate contract sum of approximately MOP59.3 million were awarded. The Group had completed 9 E&M engineering services projects in the Year 2020. As at 31 December 2020, the Group’s backlog included 20 E&M engineering services projects, with an aggregate outstanding contract sum of approximately MOP207.1 million.

During the Year 2020, the Group recorded total revenue of approximately MOP70.2 million, which decreased by approximately MOP132.9 million or 65.4% from approximately MOP203.1 million for the Year 2019. The decrease was mainly attributable to (i) substantial completion of a number of sizable projects with higher profit margins in Year 2019; (ii) the quarantine measures for COVID-19 epidemic imposed by the Macau Special Administrative Region (“SAR”) Government which lead to delay in construction progress for majority of the Group’s on-going projects for Year 2020; (iii) delay in tending process and weakened industry environment in Macau for certain potential E&M engineering projects as a result of COVID-19 epidemic; and (iv) suspension of certain E&M engineering projects since third quarter of 2020, because the project employer intended to conserve more available cash under the COVID-19 pandemic environment.

The economy of Macau in terms of gross domestic product continued to decline in the second and third quarters of 2020, plummeting by 67.9% and 64.0%, respectively, period-on-period in real terms. The economic contraction is mainly due to the drastic reduction in service exports, which have been devastated by continued COVID-19 control measures.

Despite we understand that Macau SAR Government has promoted the construction of Smart City, ranging from hospitality facilities, transportation management to telecommunications and 5G network. Considering the situation of Macau’s economy from the impact of COVID-19 epidemic, the Directors believe that the Group will face increasing challenges on its Macau business operation in coming 2021. The Group has developed its E&M maintenance department including acquisition of certain equipment in the Year 2020, for which such new development allow the Group to further enlarge its revenue base and hence achieve its long-term growth in the future after the recovery from the epidemic. This is in line with the Group’s future plan as disclosed in section headed “Future plans” in the prospectus of the Company dated 31 January 2020 (the “Prospectus”). In order to diversify the risks and uncertainty in

the Group's operation, the Group will expand its scale of operation through its intended effort in actively seeking opportunities in undertaking additional E&M engineering services related projects in developing the Hong Kong market, which would stabilise the revenue base in the period of COVID-19 epidemic and in the long-run.

Hence, management is cautiously optimistic about the E&M markets in Macau and Hong Kong after the recovery from the epidemic and will strive for capturing the new market and new trend of rising needs for E&M engineering services.

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by 65.4% from approximately MOP203.1 million for the Year 2019 to approximately MOP70.2 million for the Year 2020. Such decrease was mainly due to a combination of factors as disclosed in section headed "BUSINESS REVIEW AND MARKET PROSPECT".

	2020		2019	
	<i>MOP million</i>	<i>%</i>	<i>MOP million</i>	<i>%</i>
Hotels and Casinos	65.6	93.4%	158.0	77.8%
Commercial properties	1.4	2.0%	30.3	14.9%
Residential properties	1.0	1.4%	12.3	6.0%
Others	2.2	3.2%	2.5	1.3%
	70.2		203.1	

Cost of sales

The Group's cost of sales amounted to approximately MOP59.7 million for the Year 2020, representing a decrease of 59.4% from approximately MOP147.1 million for the Year 2019. Cost of sales mainly comprised of costs of materials and subcontracting costs, which accounted for approximately 33.2% and 41.8% respectively of the Group's total cost of sales for the Year 2020 (2019: 20.3% and 60.0% respectively). The decrease in cost of sales for the year 2020 mainly due to decrease in revenue for the year 2020.

Gross Profit/Gross Profit Margin

The Group's overall gross profit for our provision of E&M engineering works declined to approximately MOP10.6 million for the Year 2020 from approximately MOP56.0 million for the Year 2019. The gross profit margin decreased from 27.6% for the Year 2019 to approximately 15.1% for the Year 2020.

The decrease was mainly attributable to (i) generally lower profit margins of certain awarded projects during the Year 2020 as a result of fierce competition in the construction market; and (ii) the projects for the Year 2019 with relatively higher gross profit margin due to the variation works as a result of the alteration of the construction plan and our successful negotiation with our customers for a relatively higher profit margin in view of the short completion time required. Those projects were at their latter stage and approaching practical completion, of which the gross profit contribution is relatively larger for the Year 2019.

Despite the decrease in gross profit margin of the Group in the Year 2020, the Directors consider that the gross profit margin has been maintained at a healthy position as such gross profit margin in the Year 2020 is in the lower end project margins in historical records and one-off in nature.

Other income

Other income mainly included interest income from banks, government grants and sundry income. For the Year 2020, the Group's other income amounted to approximately MOP1.3 million (Year 2019: approximately MOP0.2 million). Such increase was mainly attributable to (i) increase in the interest income from bank as a result of higher average bank balance after receipt of proceeds from initial public offering for the Year 2020; and (ii) one-off receipt of government grant for securing the employments of the Group.

Impairment losses under ECL model, net of reversal

Impairment losses under ECL model derived from trade receivables and contract assets of the Group. The increase in impairment loss under ECL model of approximately MOP3.8 million in the Year 2020 was mainly due to increase in credit risks on certain project customers as a result of (i) increase in their past due status; and (ii) suspension of the Group's largest project from third quarter of 2020.

The prolonged COVID-19 epidemic adversely affected business operations of a group of project employer (the "**Project Employer Group**") of the Group's sizable E&M engineering project of a hotel development (the "**Project**"), of which the contract assets and trade receivables with gross balances amounted to MOP46,438,000 and MOP17,163,000 respectively were outstanding as at 31 December 2020. The Project Employer Group suspended the development of the Project since the third quarter of 2020. The ultimate holding company of the Project Employer Group is a listed company in the Stock Exchange, who announced the disposal of interest in the Project Employer Group to a third party (the "**Purchaser**") for generating more cash to finance its operation under the COVID-19 pandemic environment.

Despite the Group's direct customers of the Project (the "**Direct Customers**") are not the Project Employer Group itself as mentioned above, this increase the credit risks of the trade receivables and contract assets of the Project at 31 December 2020, and resulted in additional ECL on those balances for the Year 2020.

Management of the Group has actively communicated with the Direct Customers and understand that the Direct Customers have commenced legal actions via arbitration against the main-contractor of the Project and also according to the announcement by the Project Employer Group, the Purchaser agreed to take full responsibilities to settle all liabilities of the Project Employer Group, including but not limited to any construction costs and design costs incurred or to be incurred, due or payable, in connection with the Project. In addition, we believe that we can recover the amount due from the Direct Customers because (i) no matter what happens, our rights to demand outstanding payments from the Direct Customers are not affected by any other arrangements of other parties involved in the Project; and (ii) good and long-term business relationships between the Group and the Direct Customers for more than ten years with no default in history. Furthermore, there were continuing subsequent settlements and subsequent certification of completed works for billing after the suspension of the Project as disclosed in the section headed "Event After the Reporting Period".

The Directors have taken actions to recover the outstanding balances of the Project and are optimistic that those balances will be recovered eventually. ECL has been provided on these balances in accordance with the requirements set out in HKFRS 9.

Administrative expenses

The Group's administrative expenses increased from approximately MOP11.0 million for the Year 2019 to approximately MOP18.2 million for the Year 2020. Such increase was mainly due to (i) the increase in our total staff costs which was mainly due to increase in one-off discretionary bonus and average headcount for the Group's business development; and (ii) increase in legal and professional fees and hiring of Independent Non-executive directors in compliance with relevant laws and regulations after the Listing.

Taxation

The Group's income tax expense decreased by approximately 88.5% from approximately MOP7.0 million for the Year 2019 to approximately MOP0.8 million for the Year 2020, which was in line with the decline in the Group's taxable profit for the Year 2020.

Net (Loss) Profit and Adjusted Net (Loss) Profit

The Group reported net loss for the Year 2020 of approximately MOP20.2 million, as compared with net profit of approximately MOP20.3 million generated for the Year 2019. If the non-recurring listing expenses were excluded, the Group's adjusted net loss for the Year 2020 would be approximately MOP11.7 million, as compared with the adjusted net profit of approximately MOP37.4 million for the Year 2019. The adjusted basic loss per share for the Year 2020 would be approximately MOP0.6 cents. (Year 2019: adjusted basic earnings per share of approximately MOP: 2.5 cents).

Final Dividend

The Board did not recommend the payment of a final dividend for the Year 2020 (Year 2019: nil).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group has financed its operations primarily through cash inflows from operating activities, as well as proceeds received from the Listing. As at 31 December 2020, the Group had cash and cash equivalents of approximately MOP105.4 million (31 December 2019: approximately MOP33.6 million) and remains solid financial positions in meeting its financial obligation in coming future.

As at 31 December 2020, the working capital (current assets less current liabilities) and total equity attributable to owners of the Group were approximately MOP220.1 million (31 December 2019: approximately MOP136.0 million) and approximately MOP235.9 million (31 December 2019: approximately MOP151.4 million), respectively.

Gearing ratio (total debt including amounts due to Directors/total equity) as at 31 December 2020 was approximately 15.4% (31 December 2019: approximately 36.8%). Such decrease was mainly due to the combined effect of decrease in trade payables due to the several significant projects being completed and increase in shareholders' equity upon the Listing.

TREASURY POLICY

The Group has adopted a prudent financial management approach towards its treasury policy. The Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities, and other commitments can meet its funding requirements all the time.

CURRENCY RISK

The Group has minimal exposure to foreign currency risk as most of its business transactions and assets and liabilities are principally denominated in the functional currencies of the relevant group entities. As such, the Group currently does not have any foreign currency hedging policy in respect of foreign currency transactions and assets and liabilities as the Group's risk in foreign exchange is insignificant. However, the Group will continue to monitor closely its exposure to currency movement and take proactive measures.

INTEREST RATE RISK

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing financial assets, mainly interest-bearing bank balances. The interest rates of these bank deposits are determined by reference to the respective bank offer rate. The Group currently does not have any interest rate hedging policy. However, the management of the Group will consider hedging significant interest rate risk should the need arise.

PRINCIPAL RISK AND UNCERTAINTY

The Group's business operations are conducted in Macau providing the electrical-related E&M engineering works and our engagements with customers were on a project basis and non-recurring in nature that we did not enter into any long-term agreement or master service agreement with them. We have to undergo the competitive bidding process for every new project. In the event that we are unable to attract new customers or secure new projects from our existing customers, there may be a significant decrease in our revenue. Our operations and financial results would hence be adversely affected.

Other principal risks include fluctuations in estimated project costs versus the actual project cost incurred due to unexpected circumstances and imported labour quota allocated to our projects, both of which would adversely affect the Group's operations and financial performance.

The Group is also exposed to certain market risks such as currency risk, interest rate risk, credit risk, liquidity risk, etc..

The Group believes that risk management is the responsibility of everyone within the Group and has implemented a risk management system to mitigate the risks in daily operations. Risk management is led by the Directors at the top, who take both macro and micro economic conditions into account before making business decisions, and also aims to develop risk awareness and control responsibility as the Group's culture and the foundation of the Group's internal controls system.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITION OR DISPOSALS

Save as disclosed in this announcement, there were no other significant investments held, nor any material acquisitions or disposals of subsidiaries, associated companies apart from the group reorganisation in relation to the Listing as disclosed in the Prospectus for the Year 2020.

PLEDGE OF ASSETS

Pledged bank deposits as at 31 December 2019 and 31 December 2020 are pledged to secure the performance bonds granted to the Group. The Group had no other material pledge of assets as at 31 December 2019 and 31 December 2020.

FUTURE PLAN FOR MATERIAL INVESTMENT AND CAPITAL ASSETS

Save as disclosed above and in the Prospectus, the Group does not have other plans for material investments and capital assets as at 31 December 2020 and up to the date of this announcement.

CAPITAL COMMITMENTS

The Group had no material capital commitments as at 31 December 2020 (2019: Nil).

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 December 2020 (2019: Nil).

PROSPECTS AND STRATEGIES

The Group's principal business objective is to further strengthen its position as an integrated construction contractor.

Despite it is expected the Group will encounter increasing challenges in Macau operation, the Group is keen to seeking opportunities in undertaking new projects of E&M engineering services in its principal market in Macau. Up to the date of this announcement, the Group has won the tendering of new E&M engineering projects from Macau SAR Government for contract sum of approximately MOP123.0 million in early 2021.

For development of E&M engineering services, the Group continues to achieve its business objective by expanding its scale of operation through its intended effort in actively seeking opportunities in undertaking additional E&M engineering services related projects in developing the Hong Kong market, from both existing and potential new customers, on top of its present scale of operation and its current projects on hand. Up to the date of this announcement, the Group has won the tendering of new projects for contract sum of approximately HK\$42.0 million (equivalent to approximately MOP43.4 million) in 2021.

For development of E&M maintenance department, the Group has acquired a property in Macau on 22 January 2021 for the intended use of workshop, as discussed in section headed “Event After the Reporting Period”. As disclosed in the Prospectus of the Company, the workshop will be used for the parking and regular maintenance of our machines and vehicles within one year after the Listing. Such workshop will also designate to (i) serve as an emergency centre for our staff and technicians 24-hour standby to handle the orders for emergency E&M maintenance services and for staff facilities; (ii) carry out testing, inspection and storage of the electrical parts and components for E&M maintenance services; (iii) be used for storage of the electrical equipment; and (iv) serve as an operating theatre to repair the malfunctioning components retrieved from our clients’ malfunctioning E&M systems.

Regarding the control strategies to amid the COVID-19, the Group has centralised the project teams to stay either in Macau or Hong Kong for avoiding unnecessary time spent on the COVID-19 testing and cross border quarantine measures. Besides, the Group has also implemented various safety measures to reduce the risk of widespread of COVID-19 virus including staff training and distributing hygienic tool kits and face masks, etc.

EVENTS AFTER THE REPORTING PERIOD

On 22 January 2021, the Group entered into a Pre-Sale Agreement (“**Agreement**”) with Mr. Un Iok Weng and Ms. Lei Sio Hong, as a seller and an independent third party, to acquire the property “EM MACAU, AVENIDA DO ALMIRANTE MAGALHÃES CORREIA N°S 11–91, RUA CINDO BAIRRO DA AREIA PRETA N°S 13–21, AVENIDA DE VENCESLAU DE MORAIS N°S 143– 173, IND. KEK SENG S12” in Macau, for consideration of approximately HK\$16.4 million of which approximately HK\$1.60 million was settled upon the signing of the Agreement and the remaining balance of approximately HK\$14.8 million will be settled within three months after the date of Agreement.

For the E&M engineering project as mentioned in “Impairment losses under ECL model, net of reversal” under FINANCIAL REVIEW section, up to the date of this announcement, trade receivables and contracts assets relevant to the Project of approximately MOP8.0 million and approximately MOP20.0 million, respectively, are subsequently settled and certified for completed works so as to enable us to issue billing.

Save as disclosed in elsewhere of this announcement, there have been no other material events occurring after the Year 2020 and up to the date of this announcement.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

During the Year 2020, as far as the Board and the management are aware there was no material breach of or non-compliance with the applicable laws and regulations by the Group that has material impact on the business and operation of the Group.

EMPLOYEES AND REMUNERATION POLICY

The Group had 39 full-time employees including non-executive directors and executive directors as at 31 December 2020 (31 December 2019: 23), among which 23 and 16 (31 December 2019: 11 and 12) were stationed in Macau and Hong Kong, respectively. The total staff costs (including fees, salaries and other allowance, and retirement benefit scheme contributions) for the Year 2020 were approximately MOP11.7 million (Year 2019: approximately MOP7.1 million). The remuneration policy and package of the Group's employees were periodically reviewed by management of the Company. Apart from retirement benefit scheme contributions, salaries increment and discretionary bonuses may be awarded to employees according to the assessment of individual and the Group's performance. The remuneration policy in place as at 31 December 2020 was in line with the current legislation in the relevant jurisdictions, market conditions and performance of the staff and the Group.

USE OF PROCEEDS FROM THE LISTING

The shares of the Company (the “**Shares**”) have been listed on the Stock Exchange on 14 February 2020 (the “**Listing Date**”). Net proceeds from the Listing were approximately MOP73.2 million (after deducting the underwriting commission and other listing expenses in connection to the Listing). As at 31 December 2020, the net proceeds had been utilised as follows:

	Net proceeds from the Listing <i>MOP million</i>	Actual usage up to 31 December 2020 <i>MOP million</i>	Unutilised amounts as at 31 December 2020 <i>MOP million</i>
Payment of the upfront cost for our future projects	22.9	(8.0)	14.9
Payment of the performance bonds for our future projects	22.9	(18.4)	4.5
Establishing E&M Maintenance Department	15.3	(0.5)	14.8
Strengthening manpower	7.2	–	7.2
Strengthening manpower for (E&M Maintenance Department)	4.4	(0.8)	3.6
General working capital	0.5	(0.5)	–
	<u>73.2</u>	<u>(28.2)</u>	<u>45.0</u>

The unutilised proceeds of approximately MOP45.0 million were placed with a licensed bank in Hong Kong.

As affected by COVID-19 epidemic, the Group targets to complete the implementation of the future plan and the unutilised net proceeds are expected to be fully utilised within two years after the Year 2020.

SHARE OPTION SCHEME

On 22 January 2020, the Company conditionally adopted the share option scheme (the “**Share Option Scheme**”) as incentive or reward for contributions that the eligible participants have made or may make to the Group. The principal terms of the Share Option Scheme are summarised in the paragraph headed “Statutory and General Information – D. Share Option Scheme” in Appendix V to the Prospectus.

There were no share options outstanding under the Share Option Scheme nor were any share options granted, agreed to be granted, exercised, cancelled or lapsed under the Share Option Scheme since its adoption date and up to the date of this announcement.

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

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company’s listed securities since the Listing Date and up to the date of announcement.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) as a code of conduct of the Company regarding Directors’ securities transactions. Having made specific enquiries of the Directors, all the Directors have confirmed that they have complied with the requirements of the Model Code during the period from the Listing Date to 31 December 2020 and up to the date of this announcement.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed in achieving a high standard of corporate governance standard. The Board believes that good corporate governance standards are essential in providing a framework for the Company to safeguard the interests of shareholders of the Company (the “**Shareholders**”), enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has adopted the principles and all relevant code provisions as set out under the Corporate Governance Code (the “**CG code**”) contained in Appendix 14 to the Listing Rules. As the Shares were not listed on the Main Board of the Stock Exchange until the Listing Date, the CG code provisions were not applicable to the Company before the Listing Date. To the best of the knowledge of the Board, the Company has complied with the CG code during the period from the Listing Date to 31 December 2020 and up to the date of this announcement. The Directors will periodically review on the Company’s corporate governance policies and will propose any amendment, if necessary, to ensure compliance with the code provisions from time to time.

REVIEW BY AUDIT COMMITTEE

The audit committee of the Company has reviewed with the management the accounting principles and practices adopted by the Group and has discussed auditing, internal control and financial reporting matters, which include the review of the audited consolidated financial statements of the Group for the Year 2020.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

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

PUBLICATION OF RESULTS ANNOUNCEMENT AND DESPATCH OF ANNUAL REPORT

The annual results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (semhld.com). The annual report will also be available at the above websites and will be despatched to the Shareholders in due course.

By order of the Board
SEM Holdings Limited
Woo Chu Fai
Executive Director and chief executive officer

Hong Kong, 29 March 2021

As of the date of this announcement, the Board comprises Mr. Woo Chu Fai, Mr. Wun Chi Wai and Mr. Yu Chi Kwan as executive Directors; Mr. Wan Man Keung and Mrs. Kan Wan Wai Yee Mavis as non-executive Directors; and Mr. Lau Ping Cheung Kaizer, Dr. Sham Chung Ping Alain, BBS and Mr. May Tai Keung Nicholas as independent non-executive Directors.