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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)**

**INTERIM RESULTS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2021**

The board (the “Board”) of directors (the “Directors”) of SEM Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2021 (the “Period 2021”) together with comparative figures for the corresponding six months ended 30 June 2020 (the “Period 2020”), as follows:

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*For the six months ended 30 June 2021*

	NOTES	Six months ended 30 June	
		2021 MOP'000 (unaudited)	2020 MOP'000 (unaudited)
Revenue	4	73,959	44,881
Cost of sales		(64,355)	(34,257)
Gross profit		9,604	10,624
Other income	5	4	282
Impairment losses under expected credit loss (“ECL”) model, net of reversal		(2,226)	(60)
Administrative expenses		(9,023)	(9,221)
Finance costs		(72)	(58)
Listing expenses		–	(7,390)
Loss before taxation	6	(1,713)	(5,823)
Taxation	7	(413)	(640)
Loss and total comprehensive expense for the period		<u>(2,126)</u>	<u>(6,463)</u>
Loss per share (MOP cent)			
Basic	9	<u>(0.11)</u>	<u>(0.34)</u>
Diluted	9	<u>N/A</u>	<u>(0.34)</u>

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

	NOTES	As at	
		30 June 2021 MOP'000 (unaudited)	31 December 2020 MOP'000 (audited)
Non-current assets			
Property, plant and equipment	10	36,092	15,822
Rental deposits		119	48
		<u>36,211</u>	<u>15,870</u>
Current assets			
Trade and other receivables	11	48,779	47,720
Contract assets		102,543	77,214
Amount due from a related company		–	4
Pledged bank deposits		19,434	19,434
Time deposit		27,108	6,474
Bank balances and cash		48,817	105,394
		<u>246,681</u>	<u>256,240</u>
Current liabilities			
Trade and other payables	12	35,404	27,390
Contract liabilities		305	4,612
Lease liabilities		909	761
Amount due to a director		104	23
Taxation payables		3,793	3,380
Bank borrowing	13	731	–
		<u>41,246</u>	<u>36,166</u>
Net current assets		<u>205,435</u>	<u>220,074</u>
Total assets less current liabilities		<u>241,646</u>	<u>235,944</u>
Non-current liabilities			
Lease liabilities		504	77
Bank borrowing	13	7,401	–
		<u>7,905</u>	<u>77</u>
		<u>233,741</u>	<u>235,867</u>
Capital and reserves			
Share capital	14	20,630	20,630
Reserves		213,111	215,237
		<u>233,741</u>	<u>235,867</u>

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2021*

## 1. GENERAL

SEM Holdings Limited (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 immediate holding company of the Company is SEM Enterprises Limited, which is incorporated in the British Virgin Islands.

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

The unaudited condensed consolidated financial statements are presented in Macau Pataca (“MOP”), which is the functional currency of the Company.

## 2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (“HKAS 34”) “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis.

Other than application of additional accounting policy which became relevant to the Company and its subsidiaries (collectively referred to as the “Group”), the accounting policies and methods of computation used in the unaudited condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those presented in the Group’s annual consolidated financial statements for the year ended 31 December 2020.

In the current interim period, the Group has applied the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA, for the first time, which are mandatory effective for the annual periods beginning on or after 1 January 2021 for the preparation of the Group’s unaudited condensed consolidated financial statements.

Amendment to HKFRS 16  
Amendments to HKFRS 9, HKAS 39, HKFRS 7 and  
HKFRS 16

Covid-19-Related Rent Concessions  
Interest Rate Benchmark Reform – Phase 2

#### 4. REVENUE AND SEGMENT INFORMATION

Revenue represents the fair value of amounts received and receivable from the provision of electrical and mechanical engineering services by the Group to external customers which is recognised over time as the Group’s contract work enhances an asset that the external customers control as the Group performed. The Group’s revenue is derived from provision of electrical and mechanical engineering services in Macau Special Administrative Region (“SAR”) of the People’s Republic of China (“Macau”) and Hong Kong SAR of the People’s Republic of China (“Hong Kong”) during the reporting period.

##### Disaggregation of revenue

	Six months ended 30 June	
	2021 <i>MOP’000</i> (unaudited)	2020 <i>MOP’000</i> (unaudited)
<b>By property type</b>		
Hotels and casinos	15,868	42,463
Residential properties	4,581	151
Commercial properties	30,097	1,220
Public properties	23,133	–
Others	280	1,047
	<b>73,959</b>	44,881
	<b>73,959</b>	44,881

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. No other discrete financial information is provided other than the Group’s results and financial position as a whole. Therefore, no further analysis of segment information is presented.

##### Geographical information

The Group’s operations are located in Macau and Hong Kong.

The Group’s revenue from external customers and information about its non-current assets by geographical location of the customers and the assets, respectively, are detailed below:

	Revenue from external customers		Non-current assets	
	Six months ended 30 June		At	
	2021 <i>MOP’000</i>	2020 <i>MOP’000</i>	30 June 2021 <i>MOP’000</i>	31 December 2020 <i>MOP’000</i>
Macau	43,987	44,881	34,461	15,233
Hong Kong	29,972	–	1,750	637
	<b>73,959</b>	44,881	<b>36,211</b>	15,870
	<b>73,959</b>	44,881	<b>36,211</b>	15,870

## 5. OTHER INCOME

	Six months ended 30 June	
	2021 MOP'000 (unaudited)	2020 MOP'000 (unaudited)
Other income		
Government subsidy	–	150
Bank interest income	4	132
	<u>4</u>	<u>132</u>
	<u>4</u>	<u>282</u>

During the prior period, the Group recognised government grants of MOP150,000 in respect of Covid-19-related subsidies, as one-off epidemic prevention subsidy provided by the Macau government.

## 6. LOSS BEFORE TAXATION

	Six months ended 30 June	
	2021 MOP'000 (unaudited)	2020 MOP'000 (unaudited)
Loss before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	1,180	1,312
	<u>1,180</u>	<u>1,312</u>

## 7. TAXATION

	Six months ended 30 June	
	2021 MOP'000 (unaudited)	2020 MOP'000 (unaudited)
Macau Complementary Tax		
Current tax	413	940
Overprovision in prior years	–	(300)
	<u>413</u>	<u>640</u>

Macau Complementary Tax is calculated at 12% (six months ended 30 June 2020: 12%) of the estimated assessable profits exceeding MOP600,000 for the periods.

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profits in Hong Kong for both periods.

## 8. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the period ended 30 June 2021 (six months ended 30 June 2020: nil), nor has any dividend been proposed since the end of the reporting period.

## 9. LOSS PER SHARE

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

	Six months ended 30 June	
	2021 <i>MOP'000</i> (unaudited)	2020 <i>MOP'000</i> (unaudited)
Loss for the period	<u>(2,126)</u>	<u>(6,463)</u>

  

	Six months ended 30 June	
	2021 '000	2020 '000
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	<u>2,000,000</u>	<u>1,879,121</u>

The weighted average number of shares for the purpose of calculating basis loss per share has been determined on the assumption that the Capitalisation Issue (details as disclosed in the note 14) was effective on 1 January 2020.

The calculation of diluted loss per share for the prior period 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 current period were presented as there were no potential ordinary shares in issue during the current period.

## 10. PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group acquired property, plant and equipment with an aggregate amount of MOP21,450,000 (six months ended 30 June 2020: MOP2,088,000). As at 30 June 2021, the Group has pledged owned property with carrying amount of MOP17,469,000 (31 December 2020: nil) to secure the bank borrowing.

## 11. TRADE RECEIVABLES

The Group usually allows a credit period of 30 to 60 days to its customers. The following is an ageing analysis of trade receivables net of allowance for credit losses, based on the invoice dates, at the end of the reporting period:

	As at	
	30 June 2021 MOP'000 (unaudited)	31 December 2020 MOP'000 (audited)
Within 30 days	8,412	22,711
31–60 days	76	489
61–90 days	58	3,593
Over 90 days	36,544	16,661
	<u>45,090</u>	<u>43,454</u>

## 12. TRADE PAYABLES

The credit period of trade payables is ranging from 30 to 90 days. The following is an ageing analysis of the trade payables based on the invoice date at the end of the reporting period:

	As at	
	30 June 2021 MOP'000 (unaudited)	31 December 2020 MOP'000 (audited)
0–30 days	19,857	9,822
31–60 days	2,738	91
61–90 days	885	–
Over 90 days	3,388	11,692
	<u>26,868</u>	<u>21,605</u>

### 13. BANK BORROWING

During the current interim period, the Group obtained new bank loan amounting to HK\$8,000,000 (equivalent to MOP8,252,000) (six months ended 30 June 2020: nil). The loan carries interest at variable market rate of Prime Rate less 2.55% and is repayable in instalments over 10 years. The proceed was used to finance the acquisition of property, plant and equipment, which is also pledged for the borrowing.

### 14. SHARE CAPITAL

Details of the movement in the Company's shares are disclosed as follows:

	Number of shares	Amount MOP'000
Ordinary shares of HK\$0.01 each Authorised At 1 January 2020 and 30 June 2020, and 1 January 2021 and 30 June 2021	<b>5,000,000,000</b>	<b>51,500</b>
Issued and fully paid At 1 January 2020	<b>45,000,000</b>	<b>464</b>
Capitalisation Issue ( <i>Note (i)</i> )	<b>1,455,000,000</b>	<b>15,008</b>
Issue of shares ( <i>Note (ii)</i> )	<b>500,000,000</b>	<b>5,158</b>
At 30 June 2020, 1 January 2021 and 30 June 2021	<b>2,000,000,000</b>	<b>20,630</b>

*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.

The Group has marked a major milestone in 2020 with its listing on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 14 February 2020 (the “Listing Date”), undoubtedly providing an effective platform for the Group’s further development in the market. The additional capital raised and a broader capital base as a result of Listing reinforce our determination to the future growth in the electrical-related E&M engineering works in Macau and promote our Group as a well-organised enterprise to the public.

During the Period 2021, the Group recorded total revenue of approximately MOP74.0 million, which increased by approximately MOP29.1 million or 64.8% from approximately MOP44.9 million for the Period 2020. The increase was mainly attributable to (i) the ease of quarantine measures for COVID-19 epidemic imposed by the Macau Special Administrative Region (“SAR”) Government which lead to improvement in construction progress for certain of the Group’s on-going projects for Period 2021; and (ii) extra Group’s revenue from a new project in new Hong Kong segment as a result of successful management’s strategy to diversify the uncertainty and risk imposed by COVID-19 epidemic.

The economy of Macau in terms of gross domestic product continued to decline in the fourth quarter of 2020 and first quarter of 2021, plummeting by 45.9% and 0.9%, 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.

The Group has encountered increasing challenges in Macau operation, the Group has been keen to seeking opportunities in undertaking new projects of E&M engineering services in its principal market in Macau and expand its scale of operation through its intended effort in the Hong Kong market from both existing and potential new customers to diversify the market risks. Benefit from undertaking project in new market in Hong Kong, the Group generated additional project revenue of MOP30.0 million in new geographical segment in Hong Kong in the Period 2021 when compared with the Period 2020. This eases the financial performance of the Group during the time of economic downturn as a result of COVID-19 epidemic. 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 latest situation of Macau’s economy from the impact of

COVID-19 epidemic, the Directors believe that the Group has faced increasing challenges on its Macau business operation in 2021. The Group has developed its E&M maintenance department including acquisition of a workshop and certain equipment in the Period 2021, for which such new development allows 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 further diversify the risks and uncertainty in the Group's operation, the Group has expanded 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 continue to stabilise the revenue base in the period of COVID-19 epidemic and in the long-run.

## FINANCIAL REVIEW

### Revenue

The Group's revenue increased by 64.8%, from MOP44.9 million for the Period 2020 to MOP74.0 million for the Period 2021. Such increase was mainly due to the improved construction progress for ease of quarantine measures imposed by Macau SAR Government and successful market strategy implemented by management as mentioned above. As a result, the Group's revenue and profitability have improved for the Period 2021. Nevertheless, the Group has a strong net cash position with limited bank borrowing and the board (the "Board") of directors (the "Directors") of the Company believes that the financial position of the Group remains solid.

	Six months ended 30 June (unaudited)			
	2021		2020	
	<i>MOP million</i>	<i>%</i>	<i>MOP million</i>	<i>%</i>
Hotels and Casinos	<b>15.9</b>	<b>21.5%</b>	42.5	94.7%
Residential properties	<b>4.6</b>	<b>6.2%</b>	0.2	0.4%
Commercial properties	<b>30.1</b>	<b>40.7%</b>	1.2	2.7%
Public properties	<b>23.1</b>	<b>31.2%</b>	–	–
Others	<b>0.3</b>	<b>0.4%</b>	1.0	2.2%
	<b>74.0</b>		<b>44.9</b>	

## **Cost of sales**

The Group's cost of sales amounted to approximately MOP64.4 million for the Period 2021, representing an increase of 87.9% from approximately MOP34.3 million for the Period 2020. Cost of sales mainly comprised of costs of materials and subcontracting costs, which accounted for approximately 37.8% and 43.9% respectively of the Group's total cost of sales for the Period 2021 (the Period 2020: approximately 41.6% and 30.3%, respectively).

## **Gross profit/Gross profit margin**

The Group's overall gross profit for our provision of E&M engineering works were of approximately MOP9.6 million for the Period 2021 and approximately MOP10.6 million for the Period 2020. The gross profit margin decreased from approximately 23.7% for the Period 2020 to approximately 13.0% for the Period 2021.

The decrease was mainly attributable to (i) generally lower profit margins of certain awarded projects during the Period 2021 as a result of higher labour costs and material costs in Hong Kong market and fierce competition in the construction market; and (ii) the projects for the Period 2020 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 Period 2020.

Despite the decrease in gross profit margin of the Group in the Period 2021, the Directors consider that the gross profit margin has been maintained at a healthy position as such gross profit margin in the Period 2021 is in the lower end project margins in historical records. The Group is striving for bidding potential projects with higher gross profit margin and costs saving to maintain higher gross margin of the Group.

## **Other income**

Other income mainly included interest income from banks, government subsidy and sundry income. For the Period 2021, the Group's other income amounted to MOP4,000 (the Period 2020: MOP282,000). Such decrease was mainly attributable to the absence of one-off epidemic prevention subsidies from the Macau Government paid for the Period 2020.

## **Impairment losses under ECL model, net of reversal**

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”) in 2020, of which the outstanding contract assets and trade receivables with gross balances amounted to MOP30,637,000 and MOP18,335,000, respectively were outstanding as at 30 June 2021. 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 increases the credit risks of the trade receivables and contract assets of the Project.

At 30 June 2021, the Group has recognised cumulative credit loss allowance on contract assets and trade receivables of MOP4,623,000 and MOP2,672,000, respectively, of which credit loss allowance of MOP3,676,000 and MOP2,200,000 are related to contract assets and trade receivables of the Project, respectively.

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. Subsequent to the Period 2021, one of the Direct Customers was invited to participate a hearing section of arbitration related to the Project, who is highly likely to be awarded win of such arbitration based on a professional legal advice. 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; (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” in this announcement; and (iii) the Group obtained a repayment commitment from the Direct Customer to fully repay the outstanding contract assets and trade receivables.

Impairment losses under ECL model derived from trade receivables and contract assets of the Group. The change in impairment loss under ECL model from impairment loss of MOP60,000 in the Period 2020 to impairment loss of approximately MOP2.2 million in the Period 2021 was mainly due to overall increase in credit risks on certain project customers due to a combined effect of (i) continuing settlements and certification of completed works for billing to the Project in the Period 2021; and (ii) increase in Group’s contract assets and trade receivables of other projects at 30 June 2021.

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 decreased from approximately MOP9.2 million for the Period 2020 to approximately MOP9.0 million for the Period 2021. Such decrease was mainly due to the decrease in depreciation charge as a result of no renewal of certain leases of staff quarters to align with Group's strategy.

### **Taxation**

The Group's income tax expense decreased by approximately 35.5% from approximately MOP0.6 million for the Period 2020 to approximately MOP0.4 million for the Period 2021. Despite the loss before tax for the period 2020, there would be assessable profits in Macau because certain administrative and listing expenses incurred by the headquarters in Hong Kong during the Period 2020 were not deductible for tax purpose by the main operating Macau subsidiary.

### **Net (loss) and adjusted net (loss) profit**

The Group reported a net loss for the Period 2021 of approximately MOP2.1 million, as compared with a net loss of approximately MOP6.5 million recorded for the Period 2020. If the non-recurring listing expenses were excluded, the Group's adjusted net loss for the Period 2021 would be approximately MOP2.1 million and the adjusted net profit of approximately MOP0.9 million for the Period 2020.

The basic loss per share for the Period 2021 would be approximately MOP0.11 cents (the Period 2020: basic loss per share approximately MOP0.34 cents).

### **Interim dividend**

The Board did not recommend the payment of an interim dividend for the Period 2021 (the Period 2020: nil).

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

The Group has financed its operations primarily through cash inflows from operating activities. As at 30 June 2021, the Group had cash and cash equivalents of approximately MOP48.8 million (31 December 2020: approximately MOP105.4 million). Furthermore, the Group also had time deposit of approximately MOP27.1 million as at 30 June 2021 (31 December 2020: approximately MOP6.5 million).

As at 30 June 2021, the working capital (current assets less current liabilities) of the Group was approximately MOP205.4 million (31 December 2020: approximately MOP220.1 million) and the net asset value was approximately MOP233.7 million (31 December 2020: approximately MOP235.9 million).

Gearing ratio (total debt including amounts due to a director/total equity) as at 30 June 2021 was approximately 21.0% (31 December 2020: approximately 15.4%). Such increase was mainly due to the increase in the bank borrowing to finance the acquisition of a property for the intended use of workshop during the Period 2021, as discussed in “Significant Investments, Material Acquisition or Disposals” in this announcement.

## **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 and liabilities can meet its funding requirements and other commitments at all 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 rates. 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 arises.

## **PRINCIPAL RISK AND UNCERTAINTY**

The Group’s business operations are conducted in Macau and Hong Kong 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 control system.

## **SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITION OR DISPOSALS**

During the Period 2021, the Group entered into a Pre-Sale Agreement with Mr. Un Iok Weng and Ms. Lei Sio Hong, as the sellers and an independent third parties, to acquire the property "EM MACAU, AVENIDA DO ALMIRANTE MAGALHÃES CORREIA NºS 11-91, RUA CINDO BAIRRO DA AREIA PRETA NºS 13-21, AVENIDA DE VENCESLAU DE MORAIS NºS 143-173, IND. KEK SENG S12" in Macau, for consideration of approximately HK\$16.4 million and such transaction was complete and fully settled on 16 April 2021. For further details, please refer to the announcements of the Company dated 22 January 2021 and 16 April 2021.

Save as disclosed above and in this announcement, there were no other significant investments held, nor any material acquisitions or disposals of subsidiaries and associated companies by the Group.

## **PLEDGE OF ASSETS**

The newly acquired property as mentioned in "Significant Investments, Material Acquisition or Disposals" was pledged to a bank located in Macau for obtaining a mortgage loan of HK\$8.0 million to finance the relevant acquisition.

Pledged bank deposits as at 31 December 2020 and 30 June 2021 are pledged to a bank located in Macau to secure the performance bonds granted to the Group.

The Group had no other material pledge of assets as at 31 December 2020 and 30 June 2021.

## **FUTURE PLAN FOR MATERIAL INVESTMENT AND CAPITAL ASSETS**

Save as disclosed in this announcement and in the Prospectus, the Group does not have other plans for material investments and capital assets as at 30 June 2021 and up to the date of this announcement.

## **CAPITAL COMMITMENTS**

The Group had no material capital commitments as at 30 June 2021 (31 December 2020: Nil).

## **CONTINGENT LIABILITIES**

The Group had no material contingent liabilities as at 30 June 2021 (31 December 2020: 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, subsequent to the Period 2021, the Group has won the tendering of new E&M engineering projects for contract sum of approximately MOP1.2 million.

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, subsequent to the Period 2021, the Group has won the tendering of new E&M projects for contract sum of approximately HK\$1.4 million (equivalent to approximately MOP1.4 million).

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 disclosed in the Prospectus, 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.

Management of the Group is optimistic about the Group's financial performance in second half of 2021 and believe that the Group will improve its financial results for this year.



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 encouraging vaccination, staff training and distributing hygienic tool kits and face masks, etc.

## **EVENTS AFTER THE REPORTING PERIOD**

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 relevant to the Project of approximately MOP6.0 million are subsequently settled.

Save as disclosed in elsewhere of this announcement, there have been no other material events occurring after the Period 2021 and up to the date of this announcement.

## **EMPLOYEES AND REMUNERATION POLICY**

The Group had 56 full-time employees (including non-executive directors and executive directors) as at 30 June 2021 (31 December 2020: 39), among which 28 and 28 (31 December 2020: 23 and 16) 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 Period 2021 was approximately MOP7.5 million (the Period 2020: approximately MOP6.3 million). The remuneration policy and package of the Group’s employees were periodically reviewed. Apart from retirement benefit scheme contributions, salaries increment and discretionary bonuses may be awarded to employees according to the assessment of individual and company performance. The remuneration policy in place as at 30 June 2021 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. 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 30 June 2021, the net proceeds had been utilised as follows:

	<b>Net proceed from the Listing</b>	<b>Actual usage up to 30 June 2021</b>	<b>Unutilised amounts as at 30 June 2021</b>
	<i>MOP million</i>	<i>MOP million</i>	<i>MOP million</i>
Payment of the upfront cost for our future projects	22.9	(22.9)	–
Payment of the performance bonds for our future projects	22.9	(18.4)	4.5
Establishing E&M Maintenance Department	15.3	(9.1)	6.2
Strengthening manpower	7.2	–	7.2
Strengthening manpower for (E&M Maintenance Department)	4.4	(1.9)	2.5
General working capital	0.5	(0.5)	–
	<u>73.2</u>	<u>(52.8)</u>	<u>20.4</u>

The unutilised proceeds of approximately MOP20.4 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 Period 2021.

## CORPORATE GOVERNANCE

### Compliance with Corporate Governance Code

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 Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”). To the best of the knowledge of the Board, the Company has complied with the CG code for the Period 2021 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.

## **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 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 for the Period 2021 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, sold or redeemed any of the Company’s listed securities for the Period 2021.

## **Sufficiency of Public Float**

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirmed that the Company has maintained a sufficient amount of public float for its Shares as required under the Listing Rules during the Period 2021 and up to the date of this announcement.

## **OTHER INFORMATION**

### **Audit Committee**

The Company has a board of audit committee (the “Audit Committee”) which was established in accordance with the requirements of the Listing Rules for the purpose of reviewing and providing supervision over the Group’s financial reporting process, risk management and internal controls systems. A meeting of the Audit Committee was held on 27 August 2021 to review the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2021.

Deloitte Touche Tohmatsu, the Group’s external auditor, had carried out a review of the unaudited condensed consolidated financial statements for the Period 2021 in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA.

## **Publication of Results Announcement and Despatch of Interim Report**

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

By Order of the Board  
**SEM Holdings Limited**  
**Woo Chu Fai**

*Executive Director and Chief Executive Officer*

Hong Kong, 27 August 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.*