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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 2022

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 2022 (the “Period 2022”) together with comparative figures for the corresponding six months ended 30 June 2021 (the “Period 2021”), as follows:

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

For the six months ended 30 June 2022

		Six months ended 30 June	
		2022	2021
	<i>Notes</i>	MOP’000	MOP’000
		(unaudited)	(unaudited)
Revenue	4	127,122	73,959
Cost of sales		(115,084)	(64,355)
Gross profit		12,038	9,604
Other income	5	486	4
Impairment losses under expected credit loss (“ECL”) model, net of reversal		(4,301)	(2,226)
Administrative expenses		(9,015)	(9,023)
Finance costs		(158)	(72)
Loss before taxation	6	(950)	(1,713)
Taxation	7	(483)	(413)
Loss and total comprehensive expense for the period attributable to owner of the Company		(1,433)	(2,126)
Loss per share (<i>MOP cents</i>)			
Basic	9	(0.07)	(0.11)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

		As at	
	Notes	30 June 2022 MOP'000 (unaudited)	31 December 2021 MOP'000 (audited)
Non-current assets			
Property, plant and equipment	10	38,420	39,264
Rental deposit		119	119
Deferred tax asset		285	256
		<u>38,824</u>	<u>39,639</u>
Current assets			
Trade and other receivables	11	76,325	54,862
Contract assets		107,838	108,948
Pledged bank deposits		20,192	1,493
Time deposit		1,063	28,194
Bank balances and cash		40,880	40,275
		<u>246,298</u>	<u>233,772</u>
Current liabilities			
Trade and other payables	12	40,803	29,450
Contract liabilities		2,502	773
Lease liabilities		465	895
Taxation payable		3,905	3,393
Bank borrowing	13	742	742
		<u>48,417</u>	<u>35,253</u>
Net current assets		<u>197,881</u>	<u>198,519</u>
Total assets less current liabilities		<u>236,705</u>	<u>238,158</u>
Non-current liabilities			
Lease liabilities		584	235
Bank borrowing	13	6,658	7,027
		<u>7,242</u>	<u>7,262</u>
		<u>229,463</u>	<u>230,896</u>
Capital and reserves			
Share capital	14	20,630	20,630
Reserves		208,833	210,266
		<u>229,463</u>	<u>230,896</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

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 and controlled by Mr. Wan Man Keung, a non-executive director of the Company.

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

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. Certain comparative figures have been reclassified to conform with current year’s presentation. These reclassifications have no effect on financial position, results for the period or cash flows of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

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

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial reporting Standards (the “HKFRSs”), the accounting policies and methods of computation used in the unaudited condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those presented in the Group’s annual consolidated financial statements for the year ended 31 December 2021.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2022 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

The application of these amendments to HKFRSs in the current period has had no material impact on the Group's consolidated financial positions and performance for the current and prior periods and/or on the disclosures set out in these unaudited condensed consolidated financial statements.

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	
	2022	2021
	<i>MOP'000</i>	<i>MOP'000</i>
	(unaudited)	(unaudited)
By property type		
Hotels and casinos	9,479	15,868
Residential properties	232	4,581
Commercial properties	2,285	30,097
Public properties	114,299	23,133
Others	827	280
	<u>127,122</u>	<u>73,959</u>

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 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	
	2022	2021	30 June	31 December
	MOP'000	MOP'000	MOP'000	MOP'000
Macau	84,491	43,987	36,847	37,584
Hong Kong	42,631	29,972	1,692	1,799
	127,122	73,959	38,539	39,383

Note: Non-current assets excluded deferred tax asset.

5. OTHER INCOME

	Six months ended 30 June	
	2022	2021
	MOP'000	MOP'000
	(unaudited)	(unaudited)
Other income		
Government subsidy	437	–
Interest income	49	4
	486	4

During the current interim period, the Group recognised government grants of MOP437,000 in respect of Covid-19-related subsidies, as one-off epidemic Employment Support Scheme subsidy provided by the Hong Kong government.

6. LOSS BEFORE TAXATION

	Six months ended 30 June	
	2022	2021
	MOP'000	MOP'000
	(unaudited)	(unaudited)
Loss before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	<u>1,623</u>	<u>1,180</u>

7. TAXATION

	Six months ended 30 June	
	2022	2021
	MOP'000	MOP'000
	(unaudited)	(unaudited)
Macau Complementary Tax		
Current tax	512	413
Hong Kong Profits Tax		
Deferred taxation	<u>(29)</u>	<u>–</u>
	<u>483</u>	<u>413</u>

Macau Complementary Tax is calculated at 12% (six months ended 30 June 2021: 12%) of the estimated assessable profits exceeding MOP600,000 for the periods.

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK\$2 million of assessable profits of the qualifying group entity will be taxed at 8.25%, and assessable profits above HK\$2 million will be taxed at 16.5%. The assessable profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

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

8. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the six months period ended 30 June 2022 (six months ended 30 June 2021: nil), nor has any dividend been proposed since the end of the reporting period.

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 2022 MOP'000 (unaudited)	31 December 2021 MOP'000 (audited)
0–30 days	17,844	13,796
31–60 days	1,451	2,879
61–90 days	1,178	512
Over 90 days	8,365	3,352
	<u>28,838</u>	<u>20,539</u>

13. BANK BORROWING

During the last interim period, the Group obtained a new bank loan amounting to HK\$8,000,000 (equivalent to MOP8,252,000). The loan carries interest at variable market rate of Prime Rate less 2.55% per annum 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

	Number of shares	Amount MOP'000
Ordinary shares of HK\$0.01 each		
Authorised		
At 1 January 2021 and 30 June 2021, and 1 January 2022 and 30 June 2022	<u>5,000,000,000</u>	<u>51,500</u>
Issued and fully paid		
At 1 January 2021, 30 June 2021, 1 January 2022 and 30 June 2022	<u>2,000,000,000</u>	<u>20,630</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND MARKET PROSPECT

Ready System Engineering Limited, a wholly owned subsidiary of SEM Holdings Limited (the “Company”, together with its subsidiaries, the “Group”) 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. Since the Period 2021, the Group has diversified its market risks and uncertainties by engaging projects with scope of our E&M engineering works in new Hong Kong segment through its wholly owned subsidiary, SEM Resources.

The Group has marked a major milestone in 2020 with the Listing on 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 2022, the Group recorded total revenue of approximately MOP127.1 million, which increased by approximately MOP53.1 million or 71.8% from approximately MOP74.0 million for the Period 2021. The increase was mainly attributable to (i) the continuous ease of local social 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 in Macau for the Period 2022; and (ii) the increase in revenue from a new project awarded to us in Hong Kong as a result of successful management’s strategy implemented since last year to diversify the uncertainty and risk imposed by COVID-19 epidemic.

The economy of Macau SAR in terms of gross domestic product increased in the forth quarter of 2021 and first quarter of 2022, risen by 4.1% and 8.9%, respectively, period-on-period in real terms. At the present time, given the evolving conditions of and in response to the COVID-19 pandemic, including the more recent appearance of COVID-19 variants, it is not possible to determine when travel restrictions will be further liberalised or whether they could be reintroduced if there are adverse developments in the pandemic situation.

As the Group has encountered increasing challenges in the Macau market, 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 projects in the Hong Kong market since the period 2021, the Group generated revenue of approximately MOP42.6 million from Hong Kong projects for the Period 2022, representing an increase of approximately 42.0% with comparison to the revenue of approximately MOP30.0 million for the Period 2021. Despite Hong Kong projects generally generate lower profit margins, 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 2022. 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 and Use of Proceeds" 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 more E&M engineering services related projects in developing the Hong Kong market and opportunities in potential investment in promising business in the greater China area in the coming future, which would continue to stabilise the revenue base of the Group in the period of COVID-19 epidemic and in the long-run.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by approximately 71.8%, from approximately MOP74.0 million for the Period 2021 to approximately MOP127.1 million for the Period 2022. Such increase was mainly due to the improved construction progress for ease of local social 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 2022. The Group keeps 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)			
	2022		2021	
	<i>MOP million</i>	<i>%</i>	<i>MOP million</i>	<i>%</i>
Hotels and Casinos	9.5	7.5	15.9	21.5%
Residential properties	0.2	0.2	4.6	6.2%
Commercial properties	2.3	1.8	30.1	40.7%
Public properties	114.3	89.9	23.1	31.2%
Others	0.8	0.6	0.3	0.4%
	<u>127.1</u>		<u>74.0</u>	

Cost of sales

The Group's cost of sales amounted to approximately MOP115.1 million for the Period 2022, representing an increase of 78.7% from approximately MOP64.4 million for the Period 2021. Cost of sales mainly comprised of costs of materials and subcontracting costs, which accounted for approximately 40.7% and 44.1% respectively of the Group's total cost of sales for the Period 2022 (the Period 2021: approximately 37.8% and 43.9%, respectively).

Gross profit/Gross profit margin

The Group's overall gross profit for our provision of E&M engineering works were of approximately MOP12.0 million for the Period 2022 and approximately MOP9.6 million for the Period 2021. The gross profit margin decreased from approximately 13.0% for the Period 2021 to approximately 9.5% for the Period 2022.

The decrease in gross profit margin was mainly attributable to (i) generally lower profit margins of certain awarded projects from the markets during the Period 2022 as a result of higher labour costs and material costs and fierce competition in the construction markets; and (ii) continuous effect of cross border quarantine measures between mainland China and Macau, which led to increased labour costs in certain Macau projects as a result of limited import labour quotas and delayed construction progress in the period of COVID-19 epidemic.

Despite the decrease in gross profit margin of the Group in the Period 2022, the Directors consider that the gross profit margin has been maintained at a healthy position as such gross profit margin in the Period 2022 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 2022, the Group's other income amounted to MOP486,000 (the Period 2021: MOP4,000). Such increase was mainly attributable to the one-off Employment Support Scheme subsidy from the Hong Kong Government paid for the Period 2022 (the Period 2021: Nil).

Impairment losses under expected credit loss (“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 MOP30.6 million and MOP10.8 million, respectively were outstanding as at 30 June 2022. 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 2022, the Group has recognised cumulative credit loss allowance on contract assets and trade receivables of approximately MOP13.0 million and approximately MOP4.1 million respectively, of which credit loss allowance of approximately MOP7.4 million and approximately MOP2.7 million are related to contract assets and trade receivables of the Project, respectively.

Management of the Group has been actively communicating with the Direct Customers and understand that the Direct Customers have commenced legal actions via arbitration against the main-contractor of the Project. To the best of knowledge of the Group's management, the arbitration is still in progress and it may probably be extended beyond 2022, subject to actual development of the arbitration process. 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 good payment record generally in history. Furthermore, there was continuing and subsequent certification of completed works for billing and cash collection after the suspension of the Project; and (iii) the Group obtained an updated repayment commitment from the Direct Customer to fully repay the outstanding contract assets and trade receivables by the completion of above-mentioned legal proceeding.

Impairment losses under ECL model were derived from trade receivables and contract assets of the Group. The provision of impairment loss under ECL model was approximately MOP2.2 million in the Period 2021 and the provision of impairment loss under ECL model was approximately MOP4.3 million in the Period 2022. The change was mainly due to increase in credit risks as a result of (i) deterioration of ageing in trade receivables of the Group; and (ii) slow down of certification of completed works for billing and collection from certain project customers of the Group.

The Directors are closely overseeing recovery of the outstanding balances of the Project and consider those balances will be recovered eventually. ECL has been provided on these balances in accordance with the requirements set out in Hong Kong Financial Reporting Standard 9.

Administrative expenses

The Group's administrative expenses decreased slightly to approximately MOP9.0 million for the Period 2022. Such decrease was mainly due to a combined effect of (i) the increase in depreciation charge as a result of acquisition of a workshop in the Year 2021 and (ii) decrease in staff costs as a result of increased number of engineering staff being assigned to Hong Kong projects for which their salaries were classified as cost of sales.

Taxation

The Group's income tax expense increased by approximately 20% from approximately MOP0.4 million for the Period 2021 to approximately MOP0.5 million for the Period 2022. Despite the loss before tax for the period 2022, there would be assessable profits in Macau because certain impairment losses under ECL model during the Period 2022 were not deductible for tax purpose by the main operating Macau subsidiary.

Net loss

The Group reported a net loss for the Period 2022 of approximately MOP1.4 million, as compared with a net loss of approximately MOP2.1 million recorded for the Period 2021.

The basic loss per share for the Period 2022 would be approximately MOP0.07 cents (the Period 2021: basic loss per share approximately MOP0.11 cents).

Interim dividend

The Board did not recommend the payment of an interim dividend for the Period 2022 (the Period 2021: Nil).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group has financed its operations primarily through cash inflows from operating activities. As at 30 June 2022, the Group had cash and cash equivalents of approximately MOP40.9 million (31 December 2021: approximately MOP40.3 million). Furthermore, the Group also had time deposit of approximately MOP1.1 million as at 30 June 2022 (31 December 2021: approximately MOP28.2 million).

As at 30 June 2022, the working capital (current assets less current liabilities) of the Group was approximately MOP197.9 million (31 December 2021: approximately MOP198.5 million) and the net asset value was approximately MOP229.5 million (31 December 2021: approximately MOP230.9 million).

Gearing ratio (total debt including amounts due to a director/total equity) as at 30 June 2022 was approximately 24.3% (31 December 2021: approximately 18.4%). Such increase was mainly due to the increase in trade payables of the Group due to enhanced progress being made for several significant projects.

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 MOP or Hong Kong dollars of the relevant group entities and the exchange rate between the functional currencies and the Hong Kong dollars is relatively stable. 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 and liabilities, mainly interest-bearing bank balances and a bank borrowing. Interest rates of these bank deposits are determined by reference to the respective bank offer rates and interest rate on the bank borrowing is based on the contracted interest rate at prime rate less 2.55% per annum. 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.

The Group's liquidity position may be adversely affected if the progress payment or the retention money is not paid or released to the Group on time or in full; or the construction project cash flows are fluctuated. To monitor the financial liquidity, the Group reviews aging analysis on regular basis and closely communicates with management of the customers so as to get a better understanding of their solvency status.

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

Save as disclosed 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 property located at “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” 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 2021 and 30 June 2022 are pledged to a group of bank located in Macau and Hong Kong to secure the performance bonds granted to the Group. The Group had no other material pledge of assets as at 31 December 2021 and 30 June 2022.

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 2022 and up to the date of this announcement.

CAPITAL COMMITMENTS

The Group had no material capital commitments as at 30 June 2022 (31 December 2021: Nil).

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 June 2022 (31 December 2021: 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. During the Period 2022, the Group has won the tendering of new E&M engineering projects for contract sum of approximately MOP27.8 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 2022, the Group has won the tendering of new E&M projects for contract sum of approximately HK\$2.4 million (equivalent to approximately MOP2.5 million).

For development of E&M maintenance department as disclosed in the Prospectus, the Group acquired a property in Macau on 22 January 2021 for the use as a workshop. The workshop is being used for the parking and regular maintenance of our machines and vehicles. Such workshop is designated 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 cautiously optimistic about the Group's financial performance in second half of 2022 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, contract asset related to completed works relevant to the Project of approximately MOP2.0 million was subsequently certified for billing by the Direct Customer.

Save as disclosed in elsewhere of this announcement, there have been no other material events occurring after the Period 2022 and up to the date of this announcement.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

During the Period 2022, 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 material impact on the business and operation of the Group.

EMPLOYEES AND REMUNERATION POLICY

The Group had 70 full-time employees (including non-executive directors and executive directors) as at 30 June 2022 (31 December 2021: 63), among which 31 and 39 (31 December 2021: 29 and 34) 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 2022 was approximately MOP11.1 million (the Period 2021: approximately MOP7.5 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 2022 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 2022, the net proceeds had been utilised as follows:

	Net proceed from the Listing	Actual usage up to 30 June 2022	Unutilised amounts as at 30 June 2022
	<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	(22.9)	–
Establishing E&M Maintenance Department	15.3	(14.1)	1.2
Strengthening manpower	7.2	(7.2)	–
Strengthening manpower for (E&M Maintenance Department)	4.4	(4.4)	–
General working capital	0.5	(0.5)	–
	<u>73.2</u>	<u>(72.0)</u>	<u>1.2</u>

The unutilised proceeds of approximately MOP1.2 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 one year after the Period 2022.

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 Listing Rules. To the best of the knowledge of the Board, the Company has complied with the CG code for the Period 2022 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 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 2022 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 2022.

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 2022 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 29 August 2022 to review the unaudited condensed consolidated financial statements of the Group for the Period 2022.

The interim financial results of the Group for the Period 2022 are unaudited but have been reviewed and approved by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements as well as the Listing Rules and that adequate disclosures have been made.

Publication of Results Announcement and Despatch of Interim Report

This announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (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, 29 August 2022

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.