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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 2022**

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 2022 (the “**Year 2022**”) together with comparative figures for the year ended 31 December 2021 (the “**Year 2021**”) as follows:

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

For the year ended 31 December 2022

	<i>Notes</i>	2022 <i>MOP'000</i>	2021 <i>MOP'000</i>
Revenue	3	290,195	182,176
Cost of sales		<u>(266,316)</u>	<u>160,701</u>
Gross profit		23,879	21,475
Other income	5	1,727	827
Impairment losses under expected credit loss (“ ECL ”) model, net of reversal	6	(12,893)	(7,713)
Administrative expenses		(18,207)	(19,295)
Finance costs		<u>(258)</u>	<u>(251)</u>
Loss before taxation	7	(5,752)	(4,957)
Taxation	8	<u>(1,193)</u>	<u>(14)</u>
Loss and total comprehensive expense for the year attributable to owners of the Company		<u>(6,945)</u>	<u>(4,971)</u>
Loss per share (MOP cents)			
Basic	10	<u>(0.35)</u>	<u>(0.25)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	<i>Notes</i>	2022 <i>MOP'000</i>	2021 <i>MOP'000</i>
Non-current assets			
Property, plant and equipment		37,175	39,264
Rental deposit		127	119
Deferred tax asset		–	256
		<u>37,302</u>	<u>39,639</u>
Current assets			
Trade and other receivables	<i>11</i>	60,046	54,862
Contract assets	<i>12</i>	117,289	108,948
Pledged bank deposits		20,192	1,493
Time deposit		21,715	28,194
Cash and cash equivalents		20,368	40,275
		<u>239,610</u>	<u>233,772</u>
Current liabilities			
Trade and other payables	<i>13</i>	41,747	29,450
Contract liabilities		142	773
Lease liabilities		383	895
Taxation payable		2,973	3,393
Bank borrowing	<i>14</i>	735	742
		<u>45,980</u>	<u>35,253</u>
Net current assets		<u>193,630</u>	<u>198,519</u>
Total assets less current liabilities		<u>230,932</u>	<u>238,158</u>
Non-current liabilities			
Deferred tax liability		104	–
Lease liabilities		584	235
Bank borrowing	<i>14</i>	6,293	7,027
		<u>6,981</u>	<u>7,262</u>
		<u>223,951</u>	<u>230,896</u>
Capital and reserves			
Share capital	<i>15</i>	20,630	20,630
Reserves		203,321	210,266
		<u>223,951</u>	<u>230,896</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. GENERAL INFORMATION

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 of 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 a private company incorporated in the British Virgin Islands (the “**BVI**”) 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 consolidated financial statements are presented in Macau Pataca (“**MOP**”), which is also the functional currency of the Company.

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

2. APPLICATION OF 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 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 Group’s annual period beginning on or after 1 January 2022 for the preparation of the 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 the amendments to HKFRSs in the current year has 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.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ³
Amendments to HKAS 1	Non-current Liabilities with Covenant ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

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

² Effective for annual periods beginning on or after a date to be determined.

³ Effective for annual periods beginning on or 1 January 2024.

The directors of the Company anticipate that the application of the new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. REVENUE

	2022 <i>MOP'000</i>	2021 <i>MOP'000</i>
Provision of electrical and mechanical engineering services recognised over time	<u>290,195</u>	<u>182,176</u>

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

Disaggregation of revenue

	2022 <i>MOP'000</i>	2021 <i>MOP'000</i>
By property type		
Hotels and casinos	28,186	29,550
Residential properties	1,591	10,542
Commercial properties	11,612	66,259
Public properties	247,431	74,908
Others	<u>1,375</u>	<u>917</u>
	<u>290,195</u>	<u>182,176</u>

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 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	
	Year ended 31 December		At 31 December	
	2022	2021	2022	2021
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
Macau	115,161	103,912	34,976	37,584
Hong Kong	175,034	78,264	2,326	1,799
	<u>290,195</u>	<u>182,176</u>	<u>37,302</u>	<u>39,383</u>

Note: Non-current assets excluded deferred tax asset.

Information about major customers

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

	2022	2021
	<i>MOP'000</i>	<i>MOP'000</i>
Customer A	73,147	126,507
Customer B	<u>163,713</u>	<u>37,953</u>

5. OTHER INCOME

	2022 <i>MOP'000</i>	2021 <i>MOP'000</i>
Interest income	77	198
Government grants (<i>Note i</i>)	1,329	–
Others (<i>Note ii</i>)	321	629
	<u>1,727</u>	<u>827</u>

Notes:

- (i) During the year ended 31 December 2022, the Group recognised government grants of MOP1,329,000 (2021: nil) in respect of COVID-19-related subsidies related to Employment Support Scheme provided by the Hong Kong government. In the opinion of the Directors of the Company, the Group has fulfilled all conditions attached to the grants.
- (ii) During the year ended 31 December 2022, the Group has made sales of materials amounting to MOP36,000 (2021: nil) to Shun Tat M&E Equipment Limited, of which Mr. Wan Man Keung, a non-executive Director of the Company, has significant influence over this company.

6. IMPAIRMENT LOSSES UNDER ECL MODEL, NET OF REVERSAL

	2022 <i>MOP'000</i>	2021 <i>MOP'000</i>
Impairment losses, net of reversal, recognised on:		
– trade receivables	4,265	1,698
– contract assets	8,628	6,015
	<u>12,893</u>	<u>7,713</u>

7. LOSS BEFORE TAXATION

	2022 <i>MOP'000</i>	2021 <i>MOP'000</i>
Loss before taxation has been arrived at after charging:		
Directors' remuneration	2,895	2,866
Other staff costs		
– salaries and other allowance	22,492	14,382
– retirement benefit scheme contributions	582	398
Total staff costs	25,969	17,646
Less: staff costs included in cost of sales	(16,223)	(7,666)
	<u>9,746</u>	<u>9,980</u>
Auditors' remuneration	1,020	980
Depreciation of property, plant and equipment	3,180	2,623
Loss on disposal of property, plant and equipment	98	–
	<u>14,044</u>	<u>13,603</u>

8. TAXATION

	2022 <i>MOP'000</i>	2021 <i>MOP'000</i>
Macau Complementary Tax		
Current tax	–	1,340
Overprovision in prior years	(87)	(1,070)
Hong Kong Profits Tax		
Current Tax	920	–
Deferred taxation	360	(256)
	<u>1,193</u>	<u>14</u>

Macau Complementary Tax is calculated at 12% (2021: 12%) of the estimated assessable profits exceeding MOP600,000 for the year.

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 taxation in Hong Kong had been made as the subsidiary in Hong Kong did not have any assessable profits for the year ended 31 December 2021.

9. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 December 2022, nor has any dividend been proposed since the end of the reporting period (2021: nil).

10. LOSS PER SHARE

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

	2022 <i>MOP'000</i>	2021 <i>MOP'000</i>
Loss		
Loss for the year	<u>(6,945)</u>	<u>(4,971)</u>
	2022	2021
	Number of	Number of
	shares	shares
	<i>'000</i>	<i>'000</i>
Weighted average number of shares		
Weighted average number of ordinary shares	<u>2,000,000</u>	<u>2,000,000</u>

No diluted loss per share for both years are presented as there are no potential ordinary shares in issue during both years.

11. TRADE RECEIVABLES

At 31 December 2022, trade receivables amounted to MOP58,971,000 (2021: MOP51,635,000) (net of loss allowance of MOP7,278,000 (2021: MOP3,013,000)). 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:

	2022 <i>MOP'000</i>	2021 <i>MOP'000</i>
Within 30 days	16,283	18,365
31 to 60 days	1,542	8,733
61 to 90 days	714	16
Over 90 days	40,432	24,521
	<u>58,971</u>	<u>51,635</u>

12. CONTRACT ASSETS

	2022 <i>MOP'000</i>	2021 <i>MOP'000</i>
Contract assets from provision of electrical and mechanical engineering services		
– Unbilled revenue	92,114	94,040
– Retention money	43,572	24,677
	<u>135,686</u>	<u>118,717</u>
Less: Allowance for credit losses	<u>(18,397)</u>	<u>(9,769)</u>
	<u>117,289</u>	<u>108,948</u>

The Group's construction contracts include payment schedules which require stage payments over the construction period with reference to surveys of work performed to date. The Group typically transfers the contract assets to trade receivables when the rights become unconditional.

The Group also typically agrees to a defect liability period of 1 to 2 years 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 to 2 years from the date of the completion of respective projects.

13. TRADE PAYABLES

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:

	2022 <i>MOP'000</i>	2021 <i>MOP'000</i>
Within 30 days	4,505	13,796
31 to 60 days	928	2,879
61 to 90 days	1,760	512
Over 90 days	6,756	3,352
	<u>13,949</u>	<u>20,539</u>

14. BANK BORROWING

During the year ended 31 December 2021, the Group obtained a bank loan amounting to HK\$8,000,000 (equivalent to approximately MOP8,252,000). No new loan was obtained during the year ended 31 December 2022. The loan carried interest at variable market rate of Prime Rate less 2.55% per annum and was repayable in instalments over 10 years from the date of drawdown in 2021. The proceed was used to finance the acquisition of owned property with carrying amount of MOP17,045,000 (2021: MOP17,398,000) at 31 December 2022 included in the property, plant and equipment, which was also pledged to the bank to secure the bank loan.

15. SHARE CAPITAL

	Number of shares	Share capital <i>MOP'000</i>
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 January 2021, 31 December 2021 and 31 December 2022	<u>5,000,000,000</u>	<u>51,500</u>
Issued and fully paid:		
At 1 January 2021, 31 December 2021 and 31 December 2022	<u>2,000,000,000</u>	<u>20,630</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND MARKET PROSPECT

Ready System Engineering Limited was founded in 2006. We are a renowned and well-established 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 property development, public property development, hotel and casino development and renovation in Macau. During the Year 2022, the Group has diversified its market risks and uncertainties by continuing to engage projects with scope of our E&M engineering works in Hong Kong segment through its wholly owned subsidiary, SEM Resources Limited.

During the Year 2022, 8 E&M engineering services projects with an aggregate contract sum of approximately MOP42.0 million were awarded. The Group had completed 15 E&M engineering services projects in the Year 2022. As at 31 December 2022, the Group's backlog included 14 E&M engineering services projects, with an aggregate outstanding contract sum of approximately MOP347.6 million.

During the Year 2022, the Group recorded total revenue of approximately MOP290.2 million, which increased by approximately MOP108.0 million or 59.3% from approximately MOP182.2 million for the Year 2021. The increase was mainly attributable to (i) the ease of quarantine measures for COVID-19 epidemic imposed by the Macau Special Administrative Region Government which led to improvement in construction progress for certain Group's on-going projects for the Year 2021; and (ii) continuous revenue from projects in Hong Kong segment as a result of successful market strategy implemented by management to diversify the uncertainty and risk imposed by COVID-19 epidemic.

The economy of Macau in terms of gross domestic product decreased in the second and third quarters of 2022, dropped by 39.3% and 33.4%, respectively, period-on-period in real terms, and was only 35.3% and 31.7% of the pre-pandemic level of 2019 for the same period. The economic deterioration is mainly due to the new cases of COVID-19 in June and “**relatively static**” control measures implemented in July, led to a drop in visitor arrivals. COVID-19 control measures still affect the economy of Macau.

In the fourth quarter of 2022, the gross domestic product increased by 26.9% compared to the third quarter of 2022, indicated a recovery of Macau economy.

The Group has been keen to seek 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 Hong Kong, the Group generated project revenue of MOP175.0 million in the geographical segment in Hong Kong in the Year 2022 when compared with MOP78.3 million in the Year 2021. The Group was therefore able to explore more business opportunities in face of the economic downturn as a result of COVID-19 epidemic. We understand that Macau SAR Government laid out its vision to develop a 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 expect an improved business environment in the coming years. The Group recognized the need to strengthen its workforce in order to take on larger projects in the future. As a result, in the Year 2022, the Group expanded its project management team. This development allowed the Group to not only meet the current demands of its clients but also to be better equipped to handle bigger and more complex projects in the future. With a larger team, the Group will be able to provide better project management and supervision, ensuring that projects are delivered on time, within budget, and to the satisfaction of its clients. 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**").

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

FINANCIAL REVIEW

Revenue

The Group's revenue increased by 59.3% from approximately MOP182.2 million for the Year 2021 to approximately MOP290.2 million for the Year 2022. Such increase was mainly due to a combination of factors as disclosed in section headed "BUSINESS REVIEW AND MARKET PROSPECT".

	2022		2021	
	<i>MOP million</i>	<i>%</i>	<i>MOP million</i>	<i>%</i>
Hotels and Casinos	28.2	9.7%	29.6	16.2%
Residential properties	1.6	0.5%	10.5	5.8%
Commercial properties	11.6	4.0%	66.3	36.4%
Public properties	247.4	85.3%	74.9	41.1%
Others	1.4	0.5%	0.9	0.5%
	<u>290.2</u>		<u>182.2</u>	

Cost of sales

The Group's cost of sales amounted to approximately MOP266.3 million for the Year 2022, representing an increase of 65.7% from approximately MOP160.7 million for the Year 2021. Cost of sales mainly comprised of costs of materials and subcontracting costs, which accounted for approximately 22.8% and 51.2% respectively of the Group's total cost of sales for the Year 2022 (2021: 36.5% and 49.8% respectively). The increase in cost of sales for the Year 2022 mainly due to increase in revenue for the Year 2022 and inflation of labour cost.

Gross Profit/Gross Profit Margin

The Group's overall gross profit for the provision of E&M engineering works increased to approximately MOP23.9 million for the Year 2022 from approximately MOP21.5 million for the Year 2021. The gross profit margin decreased from 11.8% for the Year 2021 to approximately 8.2% for the Year 2022.

The decrease in gross profit margin was mainly attributable to (i) generally lower profit margins of certain awarded projects during the Year 2022 as a result of higher labour costs and material costs in Hong Kong market and fierce competition in the construction market; (ii) increased labour costs in Macau market due to limited import labour quotas in the period of COVID-19 epidemic; and (iii) the projects for the Year 2021 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 2021.

Despite the decrease in gross profit margin of the Group in the Year 2022, the Directors consider that the gross profit margin has been maintained at a healthy position as such gross profit margin in the Year 2022 is in the lower end project margins in historical records and also given the economic downturn due to COVID-19 epidemic. 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 grants, disposal of scrap materials and sundry income. For the Year 2022, the Group's other income amounted to approximately MOP1.7 million (Year 2021: approximately MOP0.8 million). Such increase was mainly attributable to the one-off government grant for securing the employments of the Group.

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 MOP28.6 million and MOP13.3 million, respectively were outstanding as at 31 December 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 31 December 2022, the Group has recognised cumulative credit loss allowance on contract assets and trade receivables of approximately MOP18.4 million and MOP7.3 million (31 December 2021: approximately MOP9.8 million and MOP3.0 million), respectively, of which credit loss allowance of approximately MOP6.9 million and MOP3.6 million (31 December 2021: approximately MOP5.5 million and MOP2.0 million) 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. During the Year 2022, the arbitration related to the Project was in progress and it is expected the whole arbitration process will finish by the end of 2023. 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 on-going business relationships between the Group and the Direct Customers for more than ten years with no default in history. Furthermore, there were continuing settlements and certification of completed works for billing after the suspension of the Project during the Year 2022; and (iii) the Group obtained a repayment commitment from the Direct Customer to fully repay the outstanding contract assets and trade receivables by the completion of arbitration.

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 MOP7.7 million in the Year 2021 to impairment loss of approximately MOP12.9 million in the Year 2022 was mainly due to overall increase in credit risks on certain project customers and taken into accounts for the following factors including (i) continuing settlements of completed works for billing to the Project in the Year 2021; (ii) increase credit risks as a result of economic recession of casino market in Macau; and (iii) increase in gross balances of the Group's contract assets and trade receivables of other projects at 31 December 2021. Furthermore, there were continuing settlements and certification of completed works for billing after the suspension during the Year 2021.

Management of the Group have taken actions to recover the outstanding balances of the Project and consider that 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 from approximately MOP19.3 million for the Year 2021 to approximately MOP18.2 million for the Year 2022. Such decrease was mainly due to reclassification of staff costs for engineering staffs to cost of sales.

Taxation

The change in the Group's income tax expense from tax expense of approximately MOP14,000 for the Year 2021 to tax expenses of MOP1.2 million for the Year 2022, which was in line with the increase in the Group's taxable profit for the year 2022.

Net Loss and Adjusted Net Loss

The Group reported net loss for the Year 2022 of approximately MOP6.9 million, as compared with net loss of approximately MOP5.0 million suffered for the Year 2021.

Final Dividend

The Board did not recommend the payment of a final dividend for the Year 2022 (Year 2021: 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 2022, the Group had cash and cash equivalents of approximately MOP20.4 million (31 December 2021: approximately MOP40.3 million) and remains steady in its financial position in meeting its future financial obligations.

As at 31 December 2022, the working capital (current assets less current liabilities) and total equity attributable to owners of the Group were approximately MOP193.6 million (31 December 2021: approximately MOP198.5 million) and approximately MOP224.0 million (31 December 2021: approximately MOP230.9 million), respectively.

Gearing ratio (total debt including amounts due to Directors/total equity) as at 31 December 2022 was approximately 23.6% (31 December 2021: approximately 18.4%). Such increase was mainly due to increase in trade and other payables.

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 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 controls system.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS OR DISPOSALS

Save as disclosed in this announcement, the Group did not have any significant investments, nor material acquisitions or disposals of subsidiaries, associated companies for the Year 2022.

PLEDGE OF ASSETS

During the Year 2021, a property in Macau 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 31 December 2022 are pledged to secure the performance bonds granted to the Group. The Group had no other material pledge of assets as at 31 December 2021 and 31 December 2022.

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 2022 and up to the date of this announcement.

CAPITAL COMMITMENTS

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

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 December 2022 (2021: Nil).

PROSPECTS AND STRATEGIES

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

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 Macau and Hong Kong markets, from both existing and potential new customers, on top of its present scale of operation and its current projects on hand.

From the long-term perspective, the Group expects that the resilience of construction demand will be return in 2023, as most of the COVID-19 epidemic risk factors have been sufficiently exposed.

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 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 long-run.

For development of E&M maintenance department, the Group has acquired a property in Macau on 22 January 2021 for the use as a workshop. The workshop has been used for the parking and regular maintenance of our machines and vehicles, and also serves as an centre for our staff and technicians to handle orders for E&M maintenance services. In the Year 2022, the Group expanded its project management team. This development allowed the Group to not only meet the current demands of its clients but also to be better equipped to handle bigger and more complex projects in the future.

Regarding the control strategies to amid the COVID-19, the Group 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. Such practice has been relaxed along with the ease of quarantine measures for COVID-19 epidemic. Besides, the Group is maintaining various safety measures to reduce the risk of widespread of COVID-19 virus including staff training and distributing hygienic tool kits, face masks and encouraging vaccination, etc.

EVENTS AFTER THE REPORTING PERIOD

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

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

During the Year 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 79 full-time employees including non-executive directors and executive directors as at 31 December 2022 (31 December 2021: 63), among which 56 and 23 (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 Year 2022 were approximately MOP25.0 million (Year 2021: approximately MOP17.6 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 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 since 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 2022, the net proceeds had been utilised as follows:

	Net proceeds from the Listing <i>MOP million</i>	Actual usage up to 31 December 2021 <i>MOP million</i>	2022 Actual usage <i>MOP million</i>	Unutilised amounts as at 31 December 2022 <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>–</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 Year 2022.

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 during the Year 2022 and up to the date of this 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 for the Year 2022 and up to 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. To the best of the knowledge of the Board, the Company has complied with the CG code during the Year 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.

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 2022.

SCOPE OF WORK OF MOORE STEPHENS CPA LIMITED

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 2022 as set out in this announcement have been agreed by the Group's auditor, Moore Stephens CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the Year 2022. The work performed by Moore Stephens CPA Limited 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 Moore Stephens CPA Limited 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, 27 March 2023

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.