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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 2023

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 2023 (the “Period 2023”) together with comparative figures for the corresponding six months ended 30 June 2022 (the “Period 2022”), as follows:

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

For the six months ended 30 June 2023

		Six months ended 30 June	
		2023	2022
	<i>Notes</i>	MOP'000	MOP'000
		(unaudited)	(unaudited)
Revenue	4	135,582	127,122
Cost of sales		(121,383)	(115,084)
Gross profit		14,199	12,038
Other income	5	216	486
Reversal of impairment losses (impairment losses) under expected credit loss (“ECL”) model, net		3,341	(4,301)
Administrative expenses		(12,098)	(9,015)
Finance costs		(137)	(158)
Profit (loss) before taxation	6	5,521	(950)
Taxation	7	(887)	(483)
Profit (loss) and total comprehensive income (expense) for the period attributable to owner of the Company		4,634	(1,433)
Earnings (loss) per share (<i>MOP cents</i>)			
Basic	9	0.23	(0.07)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

	<i>Notes</i>	30 June 2023 MOP'000 (unaudited)	31 December 2022 MOP'000 (audited)
Non-current assets			
Property, plant and equipment	<i>10</i>	36,155	37,175
Rental deposit		48	127
		36,203	37,302
Current assets			
Trade and other receivables	<i>11</i>	65,814	60,046
Contract assets	<i>12</i>	122,180	117,289
Pledged bank deposits		18,699	20,192
Time deposits		21,622	21,715
Cash and cash equivalents		18,223	20,368
		246,538	239,610
Current liabilities			
Trade and other payables	<i>13</i>	41,941	41,747
Contract liabilities	<i>12</i>	642	142
Lease liabilities		477	383
Taxation payable		3,852	2,973
Bank borrowing	<i>14</i>	746	735
		47,658	45,980
Net current assets		198,880	193,630
Total assets less current liabilities		235,083	230,932
Non-current liabilities			
Deferred tax liability		112	104
Lease liabilities		474	584
Bank borrowing	<i>14</i>	5,912	6,293
		6,498	6,981
		228,585	223,951
Capital and reserves			
Share capital	<i>15</i>	20,630	20,630
Reserves		207,955	203,321
		228,585	223,951

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

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 Act, Chapter 22 (as revised) 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 Macao Special Administrative Region of the People’s Republic of China (“Macao”) and Hong Kong Special Administrative Region of the People’s Republic of China (“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 2023 are the same as those presented in the Group’s annual consolidated financial statements for the year ended 31 December 2022.

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 2023 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The application of these amendments to HKFRSs in the current interim 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 and Hong Kong during the reporting period.

Disaggregation of revenue

	Six months ended 30 June	
	2023 MOP'000 (unaudited)	2022 MOP'000 (unaudited)
By property type		
Hotels and casinos	10,175	9,479
Residential properties	266	232
Commercial properties	1,270	2,285
Public properties	123,871	114,299
Others	—	827
	135,582	127,122

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	
	2023	2022	30 June	31 December
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
	(unaudited)	(unaudited)	(unaudited)	(audited)
Macau	15,199	84,491	34,476	34,976
Hong Kong	120,383	42,631	1,727	2,326
	<u>135,582</u>	<u>127,122</u>	<u>36,203</u>	<u>37,302</u>

5. OTHER INCOME

	Six months ended 30 June	
	2023	2022
	<i>MOP'000</i>	<i>MOP'000</i>
	(unaudited)	(unaudited)
Other income		
Interest income	92	49
Government subsidy	–	437
Others	124	–
	<u>216</u>	<u>486</u>

During the Period 2022, the Group recognised government grants of MOP437,000 (Period 2023: nil) in respect of Covid-19-related subsidies, as one-off epidemic Employment Support Scheme subsidy provided by the Hong Kong government.

During the current interim period, the Group recognised sale of scrap materials of MOP76,000 (Period 2022: nil).

6. PROFIT (LOSS) BEFORE TAXATION

	Six months ended 30 June	
	2023	2022
	MOP'000	MOP'000
	(unaudited)	(unaudited)
Profit (loss) before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	1,427	1,623
Impairment losses reversed (recognised) on trade receivables and contract assets	<u>3,341</u>	<u>(4,301)</u>

7. TAXATION

	Six months ended 30 June	
	2023	2022
	MOP'000	MOP'000
	(unaudited)	(unaudited)
Macau Complementary Tax		
Current tax	–	512
Hong Kong Profits Tax		
Current tax	879	–
Deferred taxation	<u>8</u>	<u>(29)</u>
	<u>887</u>	<u>483</u>

Macau Complementary Tax is calculated at 12% (six months ended 30 June 2022: 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 subsidiary in Hong Kong did not have any assessable profit for the Period 2022.

8. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the six months period ended 30 June 2023 (six months ended 30 June 2022: nil), nor has any dividend been proposed since the end of the reporting period.

12. CONTRACT ASSETS AND CONTRACT LIABILITIES

	30 June 2023 <i>MOP'000</i> (unaudited)	31 December 2022 <i>MOP'000</i> (audited)
Contract assets from provision of electrical and mechanical engineering services		
– Unbilled revenue	96,195	92,114
– Retention money	43,877	43,572
	140,072	135,686
Less: Allowance for credit losses	(17,892)	(18,397)
	122,180	117,289
Contract liabilities		
Provision of electrical and mechanical engineering services	642	142

13. 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:

	30 June 2023 <i>MOP'000</i> (unaudited)	31 December 2022 <i>MOP'000</i> (audited)
Within 30 days	2,651	4,505
31–60 days	300	928
61–90 days	771	1,760
Over 90 days	4,799	6,756
	8,521	13,949

14. BANK BORROWING

During the year ended 31 December 2021, the Group obtained a 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.

15. SHARE CAPITAL

	Number of shares	Share Capital <i>MOP'000</i>
Ordinary shares of HK\$0.01 each		
Authorised		
At 1 January 2022, 30 June 2022, and 1 January 2023 and 30 June 2023	<u>5,000,000,000</u>	<u>51,500</u>
Issued and fully paid		
At 1 January 2022, 30 June 2022, and 1 January 2023 and 30 June 2023	<u>2,000,000,000</u>	<u>20,630</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND MARKET PROSPECT

SEM Holdings Limited (the “Company”), together with its subsidiaries (collectively, the “Group”) is a renowned and well-established electrical and mechanical (“E&M”) engineering works contractor in Macau with 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 systems, for new and existing buildings in the projects of commercial and residential development, hotel and casino development and renovation in Macau. Since the six months ended 30 June 2023 (the “Period 2023”), 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 six months ended 30 June 2023 (the “Period 2023”), the Group recorded total revenue of approximately MOP135.6 million, which increased by approximately MOP8.5 million or 6.7% from approximately MOP127.1 million for the six months ended 30 June 2022 (the “Period 2022”). The increase was mainly attributable to (i) the ease of social quarantine measures for COVID-19 epidemic imposed; and (ii) the increase in revenue from certain projects in Hong Kong that were operating at full capacity with higher manpower input.

The economy of Macau SAR in terms of gross domestic product increased in the first quarter of 2023, risen by 38.8%, period-on-period in real terms. The gross domestic product increased by 56.4% compared to the fourth quarter of 2022, indicated a significant sign of improvement.

Benefiting from undertaking projects in Hong Kong market since the year 2021, the Group generated revenue of approximately MOP120.4 million from Hong Kong projects for the Period 2023, representing an increase of approximately 182.6% with comparison to the revenue of approximately MOP42.6 million for the Period 2022. Despite Hong Kong projects generally generate lower profit margins, the larger project size enabled the Group to expand the revenue base. The Group has continued to develop its E&M maintenance department in the Period 2023 by performing periodic inspection and regular maintenance for hotels and residential properties.

Considering the latest situation of Macau and Hong Kong economies from the recovery of COVID-19 epidemic, and the relief of COVID-19 control measures in Macau and Hong Kong, the Directors of the Company (the “Directors”) expect an improving 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, the Group expanded its project management team in the Period 2023. This development allowed the Group not only to 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 stronger 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 revised future plan as disclosed in the “Change in use of proceeds” announcement of the Company dated 23 June 2023. Furthermore, the Group has been adopting advanced building technologies in certain projects, including Building Information Modeling, for project management and construction efficiency. This represents a major advancement in showcasing the advantages of incorporating digital technologies into construction practices, which will have positive impacts on the entire industry. 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 approximately 6.7%, from approximately MOP127.1 million for the Period 2022 to approximately MOP135.6 million for the Period 2023. Such increase was mainly due to the successful market strategy implemented in Hong Kong by management as mentioned above. As a result, the Group’s revenue and profitability have improved for the Period 2023. The Group keeps a strong net cash position with limited bank borrowing and the board (the “Board”) of directors of the Company believes that the financial position of the Group remains solid.

	Six months ended 30 June (unaudited)			
	2023		2022	
	<i>MOP million</i>	<i>%</i>	<i>MOP million</i>	<i>%</i>
Hotels and Casinos	10.2	7.5	9.5	7.5
Residential properties	0.3	0.2	0.2	0.2
Commercial properties	1.3	1.0	2.3	1.8
Public properties	123.8	91.3	114.3	89.9
Others	—	—	0.8	0.6
	<u>135.6</u>		<u>127.1</u>	

Cost of sales

The Group's cost of sales amounted to MOP121.4 million for the Period 2023, representing an increase of approximately 5.5% from approximately MOP115.1 million for the Period 2022. Cost of sales mainly comprised of staff costs and subcontracting costs, which accounted for approximately 52.8% and 39.8% respectively of the Group's total cost of sales for the Period 2023 (the Period 2022: approximately 10.6% and 44.1%, respectively).

Gross profit/Gross profit margin

The Group's overall gross profit for our provision of E&M engineering works were of approximately MOP14.2 million for the Period 2023 and approximately MOP12.0 million for the Period 2022. The gross profit margin increased from approximately 9.5% for the Period 2022 to approximately 10.5% for the Period 2023.

The increase in gross profit margin was mainly attributable to (i) the improvement of construction efficiency due to the ease of social quarantine measures for COVID-19 epidemic imposed; and (ii) the successful cost control measures implemented by management.

The Directors consider that the gross profit margin has been maintained at a healthy position. The Directors expect the gross profit margin could increase in the future due to better cost control. 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, and sundry income. For the Period 2023, the Group's other income amounted to MOP216,000 (the Period 2022: MOP486,000). Such decrease was mainly attributable to the one-off government grant for securing the employments of the Group during the Period 2022 (the Period 2023: nil).

Reversal of impairment losses (impairment losses) under expected credit loss ("ECL") model, net

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 approximately MOP28.2 million and approximately MOP7.8 million, respectively were outstanding as at 30 June 2023. 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 2023, the Group has recognised cumulative credit loss allowance on contract assets and trade receivables of approximately MOP17.9 million and approximately MOP4.4 million respectively, of which credit loss allowance of approximately MOP6.8 million and approximately MOP2.3 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 are taking legal actions via arbitration against the main-contractor of the Project. To the best of knowledge of the Group's management, the Direct Customers are entitled to receive repayment from the main-contractor according to the preliminary result of the arbitration. This positive outlook on the arbitration and the recoverability of outstanding balances are reassuring. The arbitration on remaining matters is still in progress and it may probably be extended beyond 2023, 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) long-term and close business relationships between the Group and the Direct Customers for more than ten years with good payment record in history. Furthermore, there were continuing and subsequent certification of completed works for billing and cash collection after the suspension of the Project.

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 MOP4.3 million in the Period 2022 and the reversal of impairment loss under ECL model was approximately MOP3.3 million in the Period 2023. The reversal was mainly due to (i) the reversal of prior periods' impairment losses due to the recovery of outstanding balances; and (ii) improvement of ageing in trade receivables of the Group.

The Directors are closely overseeing recovery of 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 increased to approximately MOP12.1 million for the Period 2023 from approximately MOP9.0 million for the Period 2022. Such increased was mainly due to the increase in staff costs as a result of increased number of staff hired since the second half of 2022.

Taxation

The Group's income tax expense increased by approximately 80% from approximately MOP0.5 million for the Period 2022 to approximately MOP0.9 million for the Period 2023. The increase in income tax expense mainly due to increase in profit from Hong Kong's operation.

Net Profit

The Group reported a net profit for the Period 2023 of approximately MOP4.7 million, as compared with a net loss of approximately MOP1.4 million recorded for the Period 2022.

The basic earnings per share for the Period 2023 would be approximately MOP0.23 cents (the Period 2022: basic loss per share approximately MOP0.07 cents).

Interim dividend

The Board did not recommend the payment of an interim dividend for the Period 2023 (the Period 2022: nil).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group has financed its operations primarily through cash inflows from operating activities. As at 30 June 2023, the Group had cash and cash equivalents of approximately MOP18.2 million (31 December 2022: approximately MOP20.4 million). Furthermore, the Group also had time deposits of approximately MOP21.6 million as at 30 June 2023 (31 December 2022: approximately MOP21.7 million).

As at 30 June 2023, the working capital (current assets less current liabilities) of the Group was approximately MOP198.9 million (31 December 2022: approximately MOP193.6 million) and the net asset value was approximately MOP228.6 million (31 December 2022: approximately MOP224.0 million).

Gearing ratio (total debt/total equity) as at 30 June 2023 was approximately 23.7% (31 December 2022: approximately 23.6%).

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 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, The Group did not have any significant investments nor any material acquisitions or disposals of subsidiaries and associated companies for the Period 2023.

PLEDGE OF ASSETS

During the year ended 31 December 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 2022 and 30 June 2023 are pledged to secure the performance bonds granted to the Group. The Group had no other material pledge of assets as at 31 December 2022 and 30 June 2023.

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 2023 and up to the date of this announcement.

CAPITAL COMMITMENTS

The Group had no material capital commitments as at 30 June 2023 (31 December 2022: nil).

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 June 2023 (31 December 2022: 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 developing Macau and Hong Kong market, from both existing and potential new customers, on top of its present scale of operation and its current projects on hand.

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 Period 2023, the Group expanded its project management team. This development allowed the Group not only to meet the current demands of its clients but also to be better equipped to handle bigger and more complex projects in the future.

Management of the Group is cautiously optimistic about the Group's financial performance in second half of 2023 and believe that the Group will improve its financial results for this year.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in elsewhere of this announcement, there have been no other material events occurring after the Period 2023 and up to the date of this announcement.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

During the Period 2023, 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 80 full-time employees (including non-executive directors and executive directors) as at 30 June 2023 (31 December 2022: 79), among which 19 and 61 (31 December 2022: 23 and 56) were stationed in Macau and Hong Kong, respectively. 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 2023 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).

According to the announcement of the Company on 23 June 2023, the Board of the Company has resolved to reallocate the unutilized net proceeds up to 23 June 2023 (the “Reallocation”) as marked for establishing E&M Maintenance Department by reallocating them to strengthening manpower. The Board considers that further purchase of machines and equipment for the E&M Maintenance Department may not be able to make a breakthrough in the Group’s business and generate better financial results and return for the Group given the competition in Macau engineering industry has become more intense. In view of the present business circumstances, management determined to reallocate the unutilised net proceeds to strengthening manpower of the Group in the Hong Kong market, which has recorded a significant growth in segment revenue. The Board is of the view that the Reallocation would solidify our competitiveness in the market and serves the purpose of achieving effective deployment of the Group’s financial resources.

As at 30 June 2023, the net proceeds had been utilised as follows:

	Net proceeds from the Listing <i>MOP million</i>	Actual usage up to 31 December 2022 <i>MOP million</i>	Unutilised amounts as at 31 December 2022 <i>MOP million</i>	Revised allocation of unutilised net proceeds as at 23 June 2023 <i>MOP million</i>	Net proceeds utilised during the period ended 30 June 2023 <i>MOP million</i>	Revised allocation of unutilised net proceeds as at 30 June 2023 <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)	-	1.2	-	1.2
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>	<u>1.2</u>	<u>-</u>	<u>1.2</u>

The unutilised net proceeds of approximately MOP1.2 million were placed with a licensed bank in Hong Kong.

The Group targets to complete the implementation of the future plan and the unutilised net proceeds are expected to be fully utilised within six months after the Period 2023.

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 of Hong Kong Limited (the “Listing Rules”). To the best of the knowledge of the Board, the Company has complied with the CG code for the Period 2023 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 the Listed Issues (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 throughout the Period 2023 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 2023.

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 2023 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 25 August 2023 to review the unaudited condensed consolidated financial statements of the Group for the Period 2023.

The interim financial results of the Group for the Period 2023 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.

CHANGES IN THE INFORMATION OF DIRECTORS PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in the information of Directors of the Company subsequent to the date of the last published annual report of the Company up to the date of the Board meeting held at 25 August 2023 approving this interim results announcement are set out below:

Name of Directors	Changes in information
Dr. Sham Chung Ping Alain, <i>BBS</i>	Resigned as an independent non-executive Director with effect from 5 May 2023
Mr. May Tai Keung Nicholas	Resigned as an independent non-executive Director with effect from 5 May 2023
Ms. Chen Tak Yee Dickdy	Appointed as an independent non-executive Director with effect from 5 May 2023
Ir Dr. Wong Wai Man Raymond	Appointed as an independent non-executive Director with effect from 5 May 2023

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, 25 August 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, Ms. Chen Tak Yee Dickdy, and Ir Dr. Wong Wai Man Raymond as independent non-executive Directors.