

TARGET

Intelligence Report

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S A T U R D A Y

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SEM HOLDINGS LTD:

STAND BY FOR A CASH CALL,

WINDING ROUND THE YELLOW-BRICK ROAD

With prescience that the total cost of seeking a listing of its shares on the premier equity market of the **Hongkong Special Administrative Region (HKSAR)** of the **People's Republic of China (PRC)** would devour the lion's share of the net proceeds from a proposed Share Offer, Management of SEM Holdings Ltd (), nevertheless, went full-steam ahead, come what may, and, on or about Thursday, February 13, 2020, the theoretical facts in respect of the creation of a share offer became a reality.

The Company netted only about \$HK18 million, net of expenses, from its multi-year efforts to float that which emerged from the chrysalis of a private company to the envisaged, would-be butterfly in the shape of a public Company.

One might like to ponder, at this point, whether or not a total of 43 months of working on the project to see the Company's shares, listed on the Main Board of The Stock Exchange of Hongkong Ltd, was due to pride ... or, perhaps, something else?

Be that as it may, today, SEM Holdings Ltd has joined the ranks as a full member of the premier equity market of the HKSAR and has received the Stock Code Number 9929.

This Company describes itself as being an engineering contractor, operating exclusively in the **Macau Special Administrative Region (MSAR)** of the PRC.

The Initial Public Offering (IPO) Of SEM Holdings Ltd

On Friday, January 31, 2020, Management of SEM Holdings Ltd published and disseminated its Share Offer Prospectus in the HKSAR.

Management was desirous of selling 500 million, one-cent Shares at the Indicative Offer Price Per Share, ranging from a low of 25 cents to a high of 35 cents.

A Public Offer Shares tranche, obviously aimed at tempting investors of the HKSAR to open wide their pocketbooks and exchange their cash for this Company's paper, was limited to 50 million Offer Shares and Institutional Investors, Professional Investors and select, Well-Heeled Investors, along with their corporate entities in which this class of investor has equity control, were induced to subscribe to 450 million Offer Shares via Share Placements (the Placing Offer Shares tranche).

On Thursday, February 13, 2020, Management announced that the Offer Price Per Share had been struck at 25 cents – the lowest level of the Indicative Offer Price Per Share, acceptable to Management – and that the net proceeds of the Share Offer was anticipated to be about \$HK71 million.

In respect of the Public Offer Shares tranche, one was told, in the Announcement of the Offer Price and Allotment Results of February 13, 2020, that this tranche had been *'well over-subscribed.'*

A total of 5,536 million valid applications for Offer Shares in this tranche had been received *'for a total of 278,490,000 Public Offer Shares, representing approximately 5.57 times'* the 50 million Public Offer Shares, initially available for subscription under the Public Offer.

With regard to the Placing Offer Shares tranche, one was told that it had been *'moderately over-subscribed'* by about 1.13 times the 450 million Offer Shares, initially available for subscription under this tranche.

At Pages Eight and Nine of the February 13 Announcement, one was informed as to how Management anticipated utilising the net proceeds from the Share Offer:

- Approximately, MOP*22.90 million, equivalent to about \$HK22.20 million, that is about 31.30 percent of the net proceeds, *'will be used for upfront cost of our projects including (i) purchase or deposit for*

materials such as cables, electrical parts and components; (ii) fees payable to the subcontractors (including the imported workers); and (iii) recruitment of direct labour (if necessary)';

- Approximately, MOP*22.90 million, equivalent to approximately \$HK22.20 million, that is about 31.30 percent of the net proceeds, *'will be used for obtaining performance bonds for new E&M (Electrical and Mechanical) engineering projects from new and/or existing customers';*

- Approximately, MOP*15.30 million, equivalent to approximately \$HK14.80 million, that is about 20.90 percent of the net proceeds, *'will be used for establishing an E&M maintenance department within one year after Listing, which comprises (i) approximately MOP3.7 million (equivalent to approximately HK\$3.6 million) as payment for acquiring machines and equipment; (ii) approximately MOP3.7 million (equivalent to approximately HK\$3.6 million) as payment for inventories of electrical parts and components; (iii) approximately MOP4.7 million (equivalent to approximately HK\$4.5 million) as down payment for acquiring a workshop; (iv) approximately MOP0.2 million (equivalent to approximately HK\$0.2 million) as stamp duty for acquiring a workshop; and (v) approximately MOP3.0 million (equivalent to approximately HK\$2.9 million) as refurbishment cost of a workshop';*

- Approximately, MOP*7.20 million, equivalent to about \$HK7.00 million, that is about 9.80 percent of the net proceeds, *'will be used for strengthening our manpower within one year after Listing to handle the growing number of sizeable E&M engineering projects to be undertaken after strengthening our financial position with the net proceeds of the Share Offer, which comprises (i) approximately MOP6.6 million (equivalent to approximately HK\$6.4 million) for recruiting ten additional full-time staff, including one project manager, one assistant project manager, three engineers, one safety officer, three foremen and one quantity surveyor; and (ii) approximately MOP0.6 million (equivalent to approximately HK\$0.6 million) for renting extra staff quarters for our additional fulltime staff';*

- Approximately, MOP*4.40 million, equivalent to about \$HK4.30 million, that is about 6.10 percent of the net proceeds, *'will be used for strengthening our manpower within one year after Listing to work in the E&M maintenance department to be established with the net proceeds of the Share Offer, which comprises (i) approximately MOP3.9 million (equivalent to approximately HK\$3.8 million) for recruiting six additional full-time staff, including one project manager, two engineers and three foremen; and (ii) approximately MOP0.5 million (equivalent to approximately HK\$0.5 million) for renting extra staff quarters for our additional full-time staff'; and,*

- Approximately, MOP*0.50 million, equivalent to about \$HK0.50 million, that is about 0.60 percent of the net proceeds, *'will be used for working capital and other general corporate purposes.'*

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MOP: Macau pataca, the lawful currency of the MSAR, equivalent to MOP1.0315 = \$HK1.00.

The History And Business Of SEM Holdings Ltd

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