



SMC ELECTRIC LIMITED 蜆壳電業有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2381



**INTERIM REPORT
2021**

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BOARD OF DIRECTORS

Executive Directors

Mr. Leung Chun Wah (*Chief Executive Officer*)

Mr. Tang Che Yin

Non-executive Directors

Mr. Yung Kwok Kee, Billy (*Chairman*)

Independent Non-executive Directors

Mr. Leung Man Chiu, Lawrence

Mr. Poon Chak Sang, Plato

Mr. Ho Chi Sing, Spencer

AUDIT COMMITTEE

Mr. Leung Man Chiu, Lawrence (*Chairman*)

Mr. Yung Kwok Kee, Billy

Mr. Poon Chak Sang, Plato

REMUNERATION COMMITTEE

Mr. Poon Chak Sang, Plato (*Chairman*)

Mr. Yung Kwok Kee, Billy

Mr. Leung Man Chiu, Lawrence

NOMINATION COMMITTEE

Mr. Yung Kwok Kee, Billy (*Chairman*)

Mr. Poon Chak Sang, Plato

Mr. Leung Man Chiu, Lawrence

PRINCIPAL BANKERS

The Hong Kong and Shanghai Banking Corporation Limited

Hang Seng Bank Limited

COMPANY SECRETARY

Ms. Lee Ka Man *ACG, ACS*

REGISTERED OFFICE

Windward 3, Regatta Office Park,

PO Box 1350,

Grand Cayman KY1-1108,

Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

1/F, Shell Industrial Building,

12 Lee Chung Street,

Chai Wan, Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian Trust (Cayman) Limited

Windward 3, Regatta Office Park,

PO Box 1350,

Grand Cayman KY1-1108, Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Boardroom Share Registrars (HK) Limited

2103B, 21/F, 148 Electric Road,

North Point, Hong Kong

AUTHORISED REPRESENTATIVES

Mr. Leung Chun Wah

Mr. Tang Che Yin

COMPLIANCE OFFICER

Mr. Leung Chun Wah

COMPLIANCE ADVISER

Red Sun Capital Limited

AUDITOR

BDO Limited

Certified Public Accountants

COMPANY'S WEBSITE

www.smcelectric.com.hk

STOCK CODE

2381

UNAUDITED INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of SMC Electric Limited (the “**Company**”) hereby announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2021, together with the unaudited comparative figures for the six months ended 30 June 2020 and certain comparative figures as at the end of the last audited financial year ended 31 December 2020. The condensed consolidated statement of comprehensive income of the Group for the six months ended 30 June 2021 and the condensed consolidated statement of financial position of the Group as at 30 June 2021, along with selected explanatory notes have not been audited, but have been reviewed by the Company’s audit committee and were approved for issue by the Directors on 26 August 2021.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Notes	Six months ended 30 June 2021 HK\$'000 (Unaudited)	Six months ended 30 June 2020 HK\$'000 (Unaudited)
Revenue	5	104,353	116,620
Cost of revenue		(76,540)	(80,173)
Gross profit		27,813	36,447
Other income		2,013	2,989
Selling and distribution expenses		(1,692)	(1,245)
Administrative and other operating expenses		(12,791)	(13,743)
Listing expenses		–	(4,822)
Other gains/(losses)		64	(399)
Finance costs		(56)	(192)
Profit before income tax	6	15,351	19,035
Income tax expense	7	(2,692)	(4,381)
Profit for the period attributable to owners of the Company		12,659	14,654
Other comprehensive income			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange difference arising from translation of overseas operations		247	(281)
Total comprehensive income for the period attributable to owners of the Company		12,906	14,373
Earnings per share	9	HK Cents	HK Cents
– Basic and diluted		0.633	0.828

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

		30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
	<i>Notes</i>		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	10	4,284	4,520
Right-of-use assets		5,355	7,123
Prepayments for acquisition of property, plant and equipment		3,984	1,996
		13,623	13,639
Current assets			
Inventories		28,914	22,127
Trade and other receivables, deposits and prepayments	11	55,434	85,828
Tax prepaid		1,058	647
Cash and bank balances		107,432	77,464
		192,838	186,066
Current liabilities			
Trade and other payables and accruals	12	41,961	47,616
Lease liabilities		3,592	3,552
Amounts due to fellow subsidiaries	13	412	193
Tax payable		2,367	1,326
		48,332	52,687
Net current assets		144,506	133,379
Total assets less current liabilities		158,129	147,018
Non-current liabilities			
Lease liabilities		1,819	3,614
Net assets		156,310	143,404
CAPITAL AND RESERVES			
Share capital	14	20,000	20,000
Reserves	15	136,310	123,404
Total equity		156,310	143,404

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Share capital HK\$'000	Share premium* HK\$'000 <i>note 15(a)</i>	Merger reserve* HK\$'000 <i>note 15(b)</i>	Capital contribution* HK\$'000 <i>note 15(c)</i>	Translation reserve* HK\$'000 <i>note 15(d)</i>	Dividend reserve* HK\$'000 <i>note 15(e)</i>	Retained earnings* HK\$'000 <i>note 15(e)</i>	Total HK\$'000
At 1 January 2020	-	-	-	8,254	(1,651)	-	173,230	179,833
Profit for the period	-	-	-	-	-	-	14,654	14,654
Other comprehensive income for the period								
– Exchange difference arising from translation of overseas operations	-	-	-	-	(281)	-	-	(281)
Total comprehensive income for the period	-	-	-	-	(281)	-	14,654	14,373
Arising from group reorganisation (<i>note 14b</i>)	380	45,572	(45,952)	-	-	-	-	-
Issue of shares on Listing Date (<i>note 14c</i>)	2,750	66,000	-	-	-	-	-	68,750
Capitalisation issue (<i>note 14d</i>)	16,870	(16,870)	-	-	-	-	-	-
Listing fees attributable to issue of shares	-	(16,007)	-	-	-	-	-	(16,007)
Deemed distribution	-	-	-	-	-	-	(135,458)	(135,458)
Reimbursement of listing fees by shareholder (<i>note 15c</i>)	-	-	-	8,682	-	-	-	8,682
At 30 June 2020 (Unaudited)	20,000	78,695	(45,952)	16,936	(1,932)	-	52,426	120,173
At 1 January 2021	20,000	78,695	(45,952)	16,936	(400)	8,000	66,125	143,404
Profit for the period	-	-	-	-	-	-	12,659	12,659
Other comprehensive income for the period								
– Exchange difference arising from translation of overseas operations	-	-	-	-	247	-	-	247
Total comprehensive income for the period	-	-	-	-	247	-	12,659	12,906
At 30 June 2021 (Unaudited)	20,000	78,695	(45,952)	16,936	(153)	8,000	78,784	156,310

* The total of these equity accounts at the end of the reporting period represents “Reserves” in the unaudited condensed consolidated statement of financial position.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	Six months ended 30 June 2021 HK\$'000 (Unaudited)	Six months ended 30 June 2020 HK\$'000 (Unaudited)
Cash flows from operating activities		
Profit before income tax	15,351	19,035
Total non-cash adjustments	2,283	(133,869)
Total working capital adjustments	18,423	124,081
	<hr/>	<hr/>
Cash generated from operations	36,057	9,247
Income tax paid	(2,069)	(2,027)
	<hr/>	<hr/>
Net cash generated from operating activities	33,988	7,220
	<hr/>	<hr/>
Cash flows from investing activities		
Interest received	63	64
Purchase of property, plant and equipment	(201)	(215)
Prepayments for acquisition of property, plant and equipment	(2,163)	-
	<hr/>	<hr/>
Net cash used in investing activities	(2,301)	(151)
	<hr/>	<hr/>
Cash flows from financing activities		
Interest paid for bank borrowings and amount due to ultimate holding company	-	(156)
Proceeds from bank borrowings	-	26,322
Repayment of bank borrowings	-	(32,287)
Payment of principal element of lease liabilities	(1,771)	(1,518)
Payment of interest element of lease liabilities	(56)	(36)
Decrease in amount due to ultimate holding company	-	(6,018)
Proceeds from issue of shares	-	68,750
Listing fees attributable to issue of shares	-	(16,007)
Reimbursement of listing fees by shareholder (note 15(c))	-	8,682
	<hr/>	<hr/>
Net cash (used in)/generated from financing activities	(1,827)	47,732
	<hr/>	<hr/>
Net increase in cash and cash equivalents	29,860	54,801
Cash and cash equivalents at the beginning of period	77,464	19,291
Effect of foreign exchange rate change on cash and cash equivalents	108	(122)
	<hr/>	<hr/>
Cash and cash equivalents at the end of period	107,432	73,970
	<hr/> <hr/>	<hr/> <hr/>

1. GENERAL INFORMATION

SMC Electric Limited was incorporated on 5 December 2018 in the Cayman Islands as an exempted company with limited liability. The shares of the Company have been listed (the “**Listing**”) on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 2 June 2020 (the “**Listing Date**”).

The address of its registered office is Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands. The principal place of business is located at 1/F., Shell Industrial Building, 12 Lee Chung Street, Chai Wan, Hong Kong.

The Company is an investment holding company. The principal activities carried out by the Company and its subsidiaries are manufacturing and selling of electric tools and sourcing and selling of electric fans.

The Directors of the Company consider its ultimate holding company to be Shell Electric Holdings Limited (“**Shell Holdings**”), a company incorporated in Bermuda. Shell Holdings and its subsidiaries are collectively referred to as “Shell Holdings Group”.

2. BASIS OF PREPARATION

This unaudited condensed consolidated interim financial information have been prepared in accordance with Hong Kong Accounting Standard 34, “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

The unaudited condensed consolidated interim financial information do not include all the information and disclosures required in annual financial statements and should be read in conjunction with the consolidated financial statements for the year ended 31 December 2020 (the “**Annual Report 2020**”) which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).

The unaudited condensed consolidated interim financial information have been prepared under the historical cost basis and presented in Hong Kong Dollars (“**HK\$**”), which is the same as the functional currency of the Company and all values are rounded to the nearest thousand except when otherwise indicated.

The unaudited condensed consolidated interim financial information have been prepared in accordance with the same accounting policies and methods of computation as adopted by the Group in the Annual Report 2020 except for the adoption of new or amended HKFRSs as mentioned in note 3.

In preparing the unaudited condensed consolidated interim financial information, the significant judgment made by the management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those applied to the Annual Report 2020.

3. ADOPTION OF NEW OR REVISED HKFRSs

During the current period, the Group has applied for the first time the following new standard, amendments and interpretations issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2021.

Amendments to HKAS39, HKFRS 4, Interest Rate Benchmark Reform – Phase 2
HKFRS 7, HKFRS 9 and HKFRS 16

The adoption of the above new or revised HKFRSs in the current period has no material impact on the amounts reported and/or disclosures set out in these unaudited condensed consolidated financial statements.

At the date of authorisation of the unaudited condensed consolidated financial statements, the HKICPA has issued a number of new/revised HKFRSs that are not yet effective for the current period, which the Group has not early adopted. The Directors do not anticipate that the adoption of the new/revised HKFRSs in future periods will have any material impact on the unaudited condensed consolidated financial statements of the Group.

4. SEGMENT INFORMATION

Operating segment information

The operating segments are reported in a manner consistent with the way in which information is reported internally to the Group's chief operating decision-maker for the purposes of resources allocation and assessment of segment performance. The Group has identified the following reportable operating segments:

SMC segment	—	develop, design and trading of electrical fans under the Group's own brand, namely "SMC".
Non-SMC segment	—	develop, design, manufacturing and trading of electric tools and electric fans to customers under their respective brands.

Each of the reportable segments is managed separately as the resources requirement of each of them is different.

4. SEGMENT INFORMATION (Continued)

Operating segment information (Continued)

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments. Segment revenue represents revenue from external customers and there were no inter-segment sales between different segments during the period and in prior period. Segment profit represents gross profit generated by the segment.

Information of the operating segments of the Group reported to the chief operating decision-maker for the purposes of resources allocation and performance assessment does not include assets and liabilities. Accordingly, no information of segment assets and segment liabilities is presented.

Information regarding the Group's reportable segments including reportable segment revenue, segment profit or loss, reconciliations to profit before income tax are as follows:

	Non-SMC segment HK\$'000	SMC segment HK\$'000	Total HK\$'000
Six months ended 30 June 2021			
(Unaudited)			
Reportable segment revenue	<u>83,842</u>	<u>20,511</u>	<u>104,353</u>
Reportable segment profit	<u>21,676</u>	<u>6,137</u>	<u>27,813</u>
Corporate and unallocated income [^]			<u>2,013</u>
Corporate and unallocated expenses [^]			<u>(14,475)</u>
Profit before income tax			<u><u>15,351</u></u>

4. SEGMENT INFORMATION (Continued)

Operating segment information (Continued)

	Non-SMC segment HK\$'000	SMC segment HK\$'000	Total HK\$'000
Six months ended 30 June 2020			
(Unaudited)			
Reportable segment revenue	97,700	18,920	116,620
Reportable segment profit	30,328	6,119	36,447
Corporate and unallocated income [^]			2,989
Corporate and unallocated expenses [^]			(20,401)
Profit before income tax			19,035

[^] Corporate and unallocated income represent other income. Corporate and unallocated expenses mainly represent selling and distribution expenses and administrative and other operating expenses, which mainly included employee benefit expenses, and freight and transportation costs as well as Listing expenses incurred up to the respective period.

5. REVENUE

The Group is principally engaged in the manufacturing and selling of electric tools and sourcing and selling of electric fans. Revenue from contracts with customers derived from the Group's principal activities comprises the following:

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Sales of electric fans and electric tools:		
– Fans	57,927	53,585
– Vacuum cleaners	33,496	43,147
– Work lights	12,930	17,432
– Others	–	2,456
	104,353	116,620

6. PROFIT BEFORE INCOME TAX

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit before income tax is arrived at after charging/(crediting):		
Cost of inventories recognised as expense		
– Carrying amount of inventories consumed	76,526	80,205
– Allowances/(Reversal of allowances) for inventories	14	(32)
	<u>76,540</u>	<u>80,173</u>
Depreciation of property, plant and equipment	658	465
Depreciation of right-of-use assets	1,784	1,499
Employee benefit expenses (including Directors' emoluments):		
– Salaries, wages and other benefits	11,846	11,405
– Contribution to defined contribution retirement plans	672	437
	<u>12,518</u>	<u>11,842</u>

7. INCOME TAX EXPENSE

The amount of income tax expense in the unaudited condensed consolidated statement of comprehensive income represents:

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax		
– Hong Kong Profits Tax		
– tax for the period	2,712	3,477
– over provision in respect of prior period	(20)	–
– Other regions of the People's Republic of China (the "PRC")		
– Enterprise Income Tax ("EIT")	–	904
	<u> </u>	<u> </u>
Income tax expense	<u>2,692</u>	<u>4,381</u>

Hong Kong Profit Tax was calculated at 16.5% (2020: 16.5%) on the estimated assessable profits derived from Hong Kong for the period.

EIT arising from other regions of the PRC was calculated at 25% (2020: 25%) on the estimated assessable income.

8. DIVIDEND

Final dividend of HK\$0.004 per ordinary share, amounting to HK\$8,000,000, was proposed by the Directors and was approved by the shareholders in the annual general meeting held on 18 June 2021.

The Board did not declare the payment of any interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil)

9. EARNINGS PER SHARE

(a) Basic earnings per share

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

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit		
Profit for the period attributable to owners of the Company	12,659	14,654

	Six months ended 30 June	
	2021	2020
	Number of	Number of
	shares	shares
	'000	'000
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares in issue during the period	2,000,000	1,768,819

The weighted average number of ordinary shares used for the purpose of calculating basic earnings per share represented the weighted average number of ordinary shares in issue during the period, after giving effect of the capitalisation issue as disclosed in note 14(d), as if the capitalisation issue had occurred on 1 January 2020.

(b) Diluted earnings per share

The diluted earnings per share were the same as the basic earnings per share for the six months ended 30 June 2021 and 2020 as there were no potential dilutive ordinary shares in issue during both periods.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, the Group acquired property, plant and equipment of approximately HK\$376,000 (six months ended 30 June 2020: HK\$706,000). Such additions mainly comprised of moulds, tools and machineries of HK\$371,000 (six months ended 30 June 2020: HK\$706,000)

11. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Trade receivables	48,835	80,709
Less: Provision for impairment	(137)	(483)
	<hr/>	<hr/>
Trade receivables, net	48,698	80,226
Other receivables	2,450	1,724
Other prepayments and deposits	4,286	3,878
	<hr/>	<hr/>
	55,434	85,828
	<hr/> <hr/>	<hr/> <hr/>

The ageing analysis of the trade receivables (gross), based on invoice date, as of the end of the reporting period is as follows:

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
0 to 30 days	13,658	12,837
31 to 60 days	10,169	19,490
61 to 90 days	5,097	18,235
Over 90 days	19,911	30,147
	<hr/>	<hr/>
	48,835	80,709
	<hr/> <hr/>	<hr/> <hr/>

The Group normally allows a credit period of 45 days to 180 days to its customers.

12. TRADE AND OTHER PAYABLES AND ACCRUALS

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Trade payables	20,083	25,818
Accruals and other payables	19,747	20,411
Contract liabilities	2,131	1,387
	41,961	47,616

Credit periods granted by suppliers normally range from nil to 120 days.

The ageing analysis of trade payables, based on invoice date, as of the end of the reporting period is as follows:

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
0 to 30 days	13,254	16,748
31 to 60 days	3,030	7,629
61 to 90 days	2,229	459
Over 90 days	1,570	982
	20,083	25,818

13. AMOUNTS DUE TO FELLOW SUBSIDIARIES

The amounts due to fellow subsidiaries are trading in nature, unsecured, interest-free and repayable on demand.

14. SHARE CAPITAL

Details of the movements in the authorised and issued and fully paid share capital of the Company during the year ended 31 December 2020 and the six months ended 30 June 2021 are summarised as follows:

Ordinary shares	Par value HK\$	Number of ordinary shares	Amount HK\$'000
Authorised:			
At 1 January 2020	0.01	38,000,000	380
Increase in authorised share capital (note (a))	0.01	4,962,000,000	49,620
At 31 December 2020 (Audited) and 30 June 2021 (Unaudited)	0.01	5,000,000,000	50,000
Issued and fully paid:			
At 1 January 2020	0.01	1	—
Issue of shares under share swap agreement (note (b))	0.01	37,999,999	380
Issue of shares upon the Listing (note (c))	0.01	275,000,000	2,750
Issue of shares by capitalisation of share premium (note (d))	0.01	1,687,000,000	16,870
At 31 December 2020 (Audited) and 30 June 2021 (Unaudited)	0.01	2,000,000,000	20,000

Notes:

- (a) Pursuant to the written resolution passed by the then shareholders of the Company on 7 February 2020, the authorised share capital of the Company was increased from HK\$380,000 divided into 38,000,000 ordinary shares to HK\$50,000,000 divided into 5,000,000,000 ordinary shares by the creation of an additional 4,962,000,000 ordinary shares of HK\$0.01 each.
- (b) Pursuant to the share swap agreement, the Company allotted and issued 37,999,999 shares to Shell Holdings as consideration to acquire the entire interest of SMC Electric Holdings. The share premium arising of HK\$45,572,000 represented the difference between the investment cost of SMC Electric Holdings of approximately HK\$45,952,000 and the par value of the shares issued by the Company totalling HK\$380,000.
- (c) On the Listing Date, the Company issued 275,000,000 new shares at HK\$0.25 per share comprising 125,000,000 new shares by way of placing and 150,000,000 new shares by way of public offer.
- (d) Upon completion of issuing the new shares as mentioned in note (c) above, the Company issued 1,687,000,000 ordinary shares of HK\$0.01 each by the way of capitalising an amount of HK\$16,870,000 from the share premium account of the Company.

15. RESERVES

Details of the movements of the Group's reserves for the reporting period are presented in the unaudited condensed consolidated statement of changes in equity.

The nature of the reserves is as follows:

(a) Share premium

Share premium represents the excess of proceeds received over the par value of shares issued, less expenses incurred in connection with the issue of new shares.

(b) Merger reserve

The merger reserve arose from combining the financial statements of the companies now comprising the Group under the Reorganisation for the purposes of the Listing.

(c) Capital contribution

Capital contribution comprised (i) an amount of HK\$8,254,000 due to Shell Holdings which was waived by Shell Holdings; and (ii) an amount of HK\$8,682,000 which represents professional fees incurred by the Group for the Listing which were reimbursed by Shell Holdings.

(d) Translation reserve

Translation reserve comprises foreign exchange differences arising from the translation of the financial statements of overseas operations.

(e) Retained earnings

Retained earnings are the accumulated net gains and losses recognised in profit or loss. Proposed final dividends are deducted from retained earnings and recognised separately as dividend reserve.

16. CAPITAL COMMITMENTS

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Contracted for but not provided in the financial statement		
– Acquisition of property, plant and equipment	1,390	2,832

17. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in this interim financial information, the Group had the following significant related party transactions:

Significant transactions entered by the Group with related parties during the period:

Name	Related party relationship	Type of transaction	Transaction amount	
			Six months ended 30 June 2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Shell Holdings	Ultimate holding company	Building management fee charged by the related party for office premises, warehouse and carparks space	-	187
佛山市順德區規華多媒體製品有限公司 (Shunde SMC Multi-Media Products Company Limited*) ("MMSD")	Fellow subsidiary	Rental fee charged by the related party for leasing of staff quarter	90	75
MMSD	Fellow subsidiary	Building management fee charged by the related party for leasing of factory	-	57
PFC Device (HK) Limited	Fellow subsidiary	Purchase of raw materials from the related party	105	67
廣東規華電器製造有限公司 (Guangdong Sien Hua Electrical Appliance Manufacturing Company Limited*)	Associate	Purchase of raw materials and goods from the related party	11,199	13,695

* for identification purpose only

Note:

The Group entered into a lease agreement with MMSD for the leasing of factory and staff quarters located at Shunde, the PRC, for a period of 24 months effective on 1 January 2021. In addition, the Group entered into lease agreements with Shell Holdings for the leasing of office premises, warehouse and carpark space located in Hong Kong for a period of 24 months effective on 1 January 2021.

The Group recognised right-of-use assets and lease liabilities in relation to the above-mentioned lease agreements for factory, office premises, warehouse and carpark space under HKFRS 16. For the six months ended 30 June 2021, total undiscounted rental payments under these leases were approximately HK\$1,827,000 (six months ended 30 June 2020: HK\$1,554,000). Building management fees charged by MMSD and Shell Holdings in respect of these leases are disclosed in the above table.

The monthly rental payable for leasing the staff quarters at Shunde, the PRC, is charged based on the actual number of rooms used and recognised in profit or loss when it is incurred. Rental payment for the leasing of staff quarters for the six months ended 30 June 2021 amounted to Renminbi ("RMB") 75,000 (equivalent to approximately HK\$90,000) (six months ended 30 June 2020: RMB68,000, equivalent to approximately HK\$75,000).

The above transactions were conducted on mutually-agreed terms.

BUSINESS REVIEW

During the first half of 2021, the COVID-19 pandemic continued to disrupt economies across the globe and affected international trade and our Group's business. In particular, various pandemic-related factors such as raw materials price escalation, relentless rise of ocean freight rates and shortage of shipping containers, all impacted on exports.

As a result, the electric fan business overall suffered a slight decline compared to the prior year with sales to Australia and Africa recorded sharper decline since the onset of container shortages. Customer orders in the electric tools business increased significantly compared with last year, however, the global shortage in integrated circuit components caused negative effects on fulfilment of these orders. The Group recorded approximately 13% decline in the sales of electric tools. This supply shortage situation is expected to remain for the rest of year. Moreover, the general increasing trend of various commodity prices affects the operating margin temporarily until shipment for new orders with higher prices become effective.

The Group expects the magnitude and pace of the global economic recovery to improve in the fourth quarter of 2021, and supply logistics and demand of electric fans and electric tools will recover gradually. We intend to further improve our strategic actions in risk management, operational cost control, supply chain agility and liquidity position enhancement in the forthcoming year. Management will proactively pursue various avenues to further reduce the risk exposure and maintain our competitiveness in the market.

FINANCIAL REVIEW

Revenue and Operating Results

Revenue from the Group's operations for the six months ended 30 June 2021 amounted to HK\$104.4 million, representing a decrease of HK\$12.2 million or 10.5% as compared to HK\$116.6 million for the corresponding period in 2020. Such decrease was primarily attributable to the decrease in the sales volume of electric tools.

The Group's gross profit for the six months ended 30 June 2021 amounted to HK\$27.8 million, representing a decrease of HK\$8.6 million as compared to HK\$36.4 million for the corresponding period in 2020. The gross profit margin for the six months ended 30 June 2021 was 26.7%, representing a decrease of 4.6 percentage points compared to 31.3% for the corresponding period in 2020. The Group's gross profit margin decrease was mainly due to the increase in materials costs.

Profit attributable to the owners of the Company for the six months ended 30 June 2021 was HK\$12.6 million, representing a decrease of HK\$2.0 million or 13.6% as compared to HK\$14.6 million for the corresponding period in 2020. The decrease in profit for the period was mainly attributable to the drop in revenue and material cost increases as mentioned above.

Liquidity, Financial Resources and Capital Structure

The Group has adequate liquidity and financial resources to meet the working capital requirements and other financial obligations in the second half of the financial year. The Group will continue to follow a prudent treasury policy and maintain a healthy financial and liquidity position to achieve the Group's future business development. As at 30 June 2021, the Group's total cash and bank balance amounted to approximately HK\$107.4 million (31 December 2020: HK\$77.5 million) which was mainly denominated in United States Dollars ("**US\$**") and HK\$.

As at 30 June 2021, the current ratio of the Group was approximately 3.99 times (31 December 2020: approximately 3.53 times).

The capital of the Group comprises only ordinary shares. As at 30 June 2021, there were 2,000,000,000 ordinary shares in issue. There has been no change in the Company's capital structure since the date of listing and up to the date of this report.

Foreign Exchange Exposure

The Group mainly operates in Hong Kong and the PRC. The functional currencies of the Company and the Group's operating entities are mainly HK\$ and RMB with certain of their business transactions being settled in US\$. The Group is thus exposed to currency risk arising from fluctuation on exchange rates of US\$ against the functional currencies of the relevant operating entities. During the period, the Group does not have foreign currency hedging policy, but the management continuously monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Gearing Ratio

The gearing ratio of the Group (expressed as a percentage of total bank borrowings net of cash and bank balances to total equity of the Group) as at 30 June 2021 was nil (31 December 2020: nil) as the Group had net cash balances at the respective period end.

Capital Expenditure and Capital Commitments

During the six months ended 30 June 2021, the Group incurred (i) HK\$0.2 million for the purchase of property, plant and equipment (six months ended 30 June 2020: HK\$0.2 million), and (ii) HK\$2.2 million for the prepayment for purchase of property, plant and equipment (six months ended 30 June 2020: nil).

As of 30 June 2021, the Group had total capital commitments of approximately HK\$1.4 million (31 December 2020: HK\$2.8 million) for the acquisition of property, plant and equipment.

Contingent Liabilities

The Directors confirm that there were no material contingent liabilities as of 30 June 2021 (31 December 2020: nil).

Segment Information

Segment information for the Group is present as disclosed in note 4 to the unaudited condensed consolidated financial information.

Significant Investments/Material Acquisitions and Disposal

During the six months ended 30 June 2021, the Group had not made any significant investments or material acquisitions and disposal of subsidiaries.

Employees and Remuneration Policy

As of 30 June 2021, the total number of employees of the Group was 126 (31 December 2020: 140), and they were stationed in the PRC and Hong Kong. The Group regularly reviews remuneration and benefits to its employees according to the relevant market practice and individual performance of the employees. In addition to basic salary, employees are entitled to other benefits including social insurance, employee provident fund schemes and discretionary incentive.

PLEDGE ON ASSETS

As of 30 June 2021, the Group did not have any assets which were pledged as security for the Group's borrowings (31 December 2020: nil) .

USE OF PROCEEDS FROM THE SHARE OFFER

The net proceeds from the share offer (after deducting the underwriting fees and related expenses) amounted to approximately HK\$42.5 million. The Directors had evaluated the Group's business plan and considered that, as at the date of this report, there is no modification of the business plan regarding the use of proceeds as described in the prospectus of the Company dated 19 May 2020 (the "Prospectus") and the proceeds are to be used as intended as disclosed in the Prospectus.

The Group had utilised approximately HK\$4.1 million of the net proceeds as at 30 June 2021. The unused net proceeds have been placed as interest-bearing deposits with licensed banks in Hong Kong. Set out below is a summary of the utilisation of the net proceeds:

	Allocation of net proceeds as disclosed in the Prospectus HK\$ million	Unutilised amount as at 31 December 2020 HK\$ million	Actual utilised amount for the six months ended 30 June 2021 HK\$ million	Unutilised amount for the six months ended 30 June 2021 HK\$ million	Expected timeline for use of unutilised proceeds
Improvement of efficiencies	6.3	5.5	0.3	5.2	31 December 2021
Expand manufacturing capabilities	25.9	24.3	1.4	22.9	30 June 2022
Devoting resources on new products	10.3	10.3	–	10.3	30 June 2022
	<u>42.5</u>	<u>40.1</u>	<u>1.7</u>	<u>38.4</u>	

DISCLOSURE OF INTERESTS

A. Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2021, the interests or short positions of the Directors and chief executives in the shares, underlying shares and debentures of the Company, its subsidiaries and its associated corporations (within the meaning of the Part XV of Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules were as follows:

I. Interests in issued shares

Name of Director	Capacity/Nature of interest	Number of shares held/ interested in the Company	Percentage of shareholding as at 30 June 2021
Mr. Yung Kwok Kee, Billy ("Mr. Yung")	Interest in a controlled corporation (Note)	1,500,000,000	75.0%

Note:

Mr. Yung holds the entire issued share capital of Red Dynasty Investments Limited ("Red Dynasty"), which, in turn, holds 80.5% interest in Shell Holdings. Accordingly, Mr. Yung is deemed to be interested in the shares held by Shell Holdings by virtue of the SFO.

II. Interest in the shares of associated corporation

Name of Director/ chief executive	Name of associated corporation	Capacity/Nature of interest	Number of shares in associated corporation	Percentage of shareholding as at 30 June 2021
Mr. Yung	Shell Holdings	Interest in a controlled corporation (Note)	421,376,672	80.5%

Note:

Shell Holdings is owned as to 80.5% by Red Dynasty. Red Dynasty is wholly-owned by Mr. Yung. By virtue of the SFO, Mr. Yung is deemed to be interested in the shares of Shell Holdings held by Red Dynasty.

Save as disclosed above, as at 30 June 2021, none of the Directors nor chief executive or any of their respective associates has registered an interest or short positions in the shares, underlying shares or debentures of the Company, or any of its holding company, subsidiaries or other associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

B. Substantial Shareholders' Interests and Short Positions in Shares, Underlying Shares and Debentures

According to the register of substantial shareholders maintained under Section 336 of the SFO as at 30 June 2021, the Company had been notified of the following substantial shareholders' interests, being 5% or more of the Company's issued share capital.

<u>Name of substantial shareholders</u>	<u>Capacity/nature of interest</u>	<u>Number of shares held/interested in</u>	<u>Long/short position</u>	<u>Percentage of shareholding as at 30 June 2021</u>
Shell Holdings	Beneficial owner	1,500,000,000 (Note 1)	Long	75.0%
Red Dynasty	Interest in a controlled corporation	1,500,000,000 (Note 1)	Long	75.0%
Mr. Yung	Interest in a controlled corporation	1,500,000,000 (Note 1)	Long	75.0%
Mrs. Yung	Interest of spouse	1,500,000,000 (Note 2)	Long	75.0%
Hong Kong Construction (Hong Kong) Limited	Beneficial owner	180,090,000 (Note 3)	Long	9.0%
HKC (Holdings) Limited	Interest in a controlled corporation	180,090,000 (Note 3)	Long	9.0%
Creator Holdings Limited	Interest in a controlled corporation	180,090,000 (Note 3)	Long	9.0%
Claudio Holdings Limited	Interest in a controlled corporation	180,090,000 (Note 3)	Long	9.0%
Mr. Oei Kang, Eric ("Mr. Oei")	Interest in a controlled corporation	180,090,000 (Note 3)	Long	9.0%

Notes:

- Mr. Yung holds the entire issued share capital of Red Dynasty, which, in turn, holds 80.5% interest in Shell Holdings. Accordingly, Mr. Yung is deemed to be interested in the shares held by Shell Holdings by virtue of the SFO.

2. Ms. Vivian Hsu ("**Mrs. Yung**") is the spouse of Mr. Yung. By virtue of the SFO, Mrs. Yung is deemed to be interested in all the shares in which Mr. Yung is deemed to be interested.
3. Hong Kong Construction (Hong Kong) Limited is wholly-owned by HKC (Holdings) Limited. And HKC (Holdings) Limited was held as to approximately 67.8% by Claudio Holdings Limited (via its wholly-owned subsidiaries, Creator Holdings Limited and Genesis Capital Group Limited), a company wholly-owned by Mr. Oei)

Save as disclosed above, as at 30 June 2021 and so far as known to the Directors, no person, other than the Directors and chief executive of the Company whose interests are set out in the section "Directors and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above, had notified the Company of an interest or short position in the shares or underlying shares of the Company that was required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

SHARE OPTION SCHEME

The Company has a share option scheme which was approved and adopted by shareholders of the Company on 29 April 2020.

No share option has been granted under the share option scheme since its adoption.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2021, neither the Company, nor any of its subsidiaries has purchased, sold, or redeemed any of the Company's listed securities.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2021.

The Board will continue to review and monitor its code of corporate governance practices of the Company with an aim to maintaining a high standard of corporate governance.

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 its code of conduct regarding dealings in the securities of the Company by the Directors and the Group's senior management and relevant employees who, because of his/her office or employment, are likely to possess inside information in relation to the Group or the Company's securities.

Upon specific enquiry by the Company, all Directors have confirmed that they have complied with the Model Code throughout the six months ended 30 June 2021. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management of the Group during the period under review.

AUDIT COMMITTEE

The Company has established an audit committee comprising two independent non-executive directors and one non-executive director, namely Mr. Leung Man Chiu, Lawrence (Chairman), Mr. Poon Chak Sang, Plato and Mr. Yung Kwok Kee, Billy. The audit committee has reviewed, with no disagreement, with the senior management on the Group's interim results and the interim financial information for the six months ended 30 June 2021, including the accounting principles and practices adopted by the Group, and discussed financial reporting, auditing and internal controls matters.

By Order of the Board
SMC Electric Limited
LEUNG Chun Wah
Executive Director

Hong Kong, 26 August 2021

As at the date of this report, the Board comprises two executive directors, namely, Mr. LEUNG Chun Wah and Mr. TANG Che Yin; one non-executive director, namely, Mr. YUNG Kwok Kee, Billy; and three independent non-executive directors, namely, Mr. LEUNG Man Chiu, Lawrence, Mr. POON Chak Sang, Plato and Mr. HO Chi Sing, Spencer.