

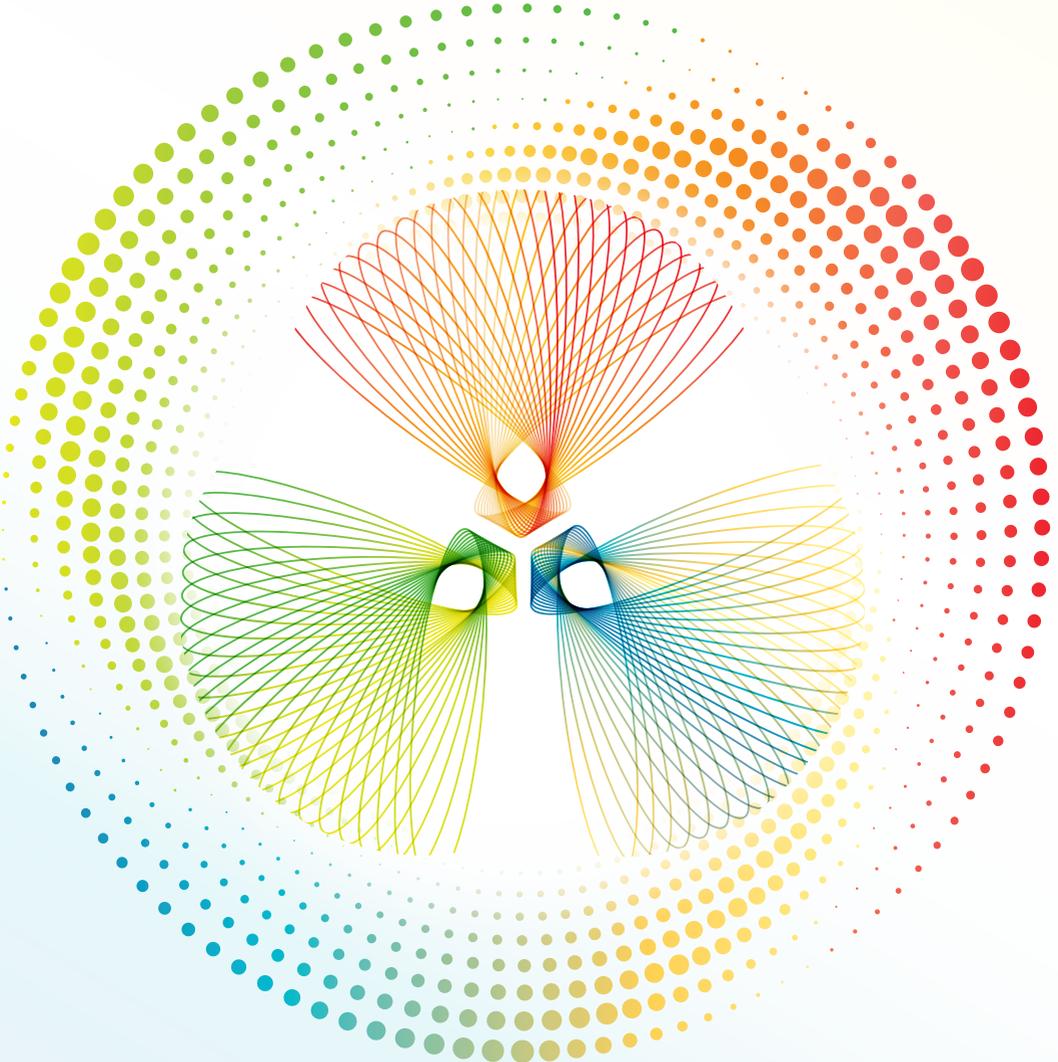


**SMC ELECTRIC LIMITED**  
**蜆壳電業有限公司**

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2381

# INTERIM REPORT 2023



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## BOARD OF DIRECTORS

### Executive Directors

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

Mr. Tang Che Yin

Mr. Chow Kai Chiu, David

### Non-executive Directors

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

Mdm. Li Pik Mui, Cindy

### 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, HKACC*

## 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

## AUDITOR

BDO Limited

*Certified Public Accountants*

*Registered Public Interest Entity Auditor*

## COMPANY'S WEBSITE

[www.smcelectric.com.hk](http://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 2023, together with the unaudited comparative figures for the six months ended 30 June 2022 and certain comparative figures as at the end of the last audited financial year ended 31 December 2022. The condensed consolidated statement of comprehensive income of the Group for the six months ended 30 June 2023 and the condensed consolidated statement of financial position of the Group as at 30 June 2023, 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 25 August 2023.

### *UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME* For the six months ended 30 June 2023

		<b>Six months ended 30 June 2023</b>	Six months ended 30 June 2022
		<b>HK\$'000</b>	HK\$'000
	<i>Notes</i>	<b>(Unaudited)</b>	(Unaudited)
<b>Revenue</b>	5	<b>118,853</b>	162,662
Cost of revenue		<u>(85,585)</u>	<u>(119,170)</u>
<b>Gross profit</b>		<b>33,268</b>	43,492
Other income		<b>4,000</b>	2,634
Selling and distribution expenses		<b>(800)</b>	(1,446)
Administrative and other operating expenses		<b>(21,053)</b>	(15,370)
Other gains		<b>607</b>	1,587
Finance costs		<b>(124)</b>	(25)
<b>Profit before income tax</b>	6	<b>15,898</b>	30,872
Income tax expense	7	<b>(2,884)</b>	(6,168)
<b>Profit for the period attributable to owners of the Company</b>		<b>13,014</b>	24,704
<b>Other comprehensive income</b>			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange difference arising from translation of operations outside Hong Kong		<b>(523)</b>	(1,356)
<b>Total comprehensive income for the period attributable to owners of the Company</b>		<b>12,491</b>	23,348
		<b>HK Cents</b>	HK Cents
<b>Earnings per share</b>	9		
– Basic and diluted		<b>0.651</b>	1.235

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

		<b>30 June 2023 HK\$'000 (Unaudited)</b>	31 December 2022 HK\$'000 (Audited)
	<i>Notes</i>		
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	<b>5,230</b>	4,941
Right-of-use assets		<b>2,625</b>	5,324
Prepayments for acquisition of property, plant and equipment		<b>2,347</b>	2,873
		<b>10,202</b>	13,138
<b>Current assets</b>			
Inventories		<b>15,044</b>	23,374
Trade and other receivables, deposits and prepayments	11	<b>85,013</b>	56,390
Amount due from ultimate holding company	13	–	147
Amount due from a fellow subsidiary	13	–	6
Cash and bank balances		<b>86,255</b>	89,297
		<b>186,312</b>	169,214
<b>Current liabilities</b>			
Trade and other payables and accruals	12	<b>39,745</b>	36,075
Lease Liabilities		<b>2,681</b>	5,360
Amounts due to fellow subsidiaries	13	<b>350</b>	738
Tax payable		<b>2,391</b>	1,323
		<b>45,167</b>	43,496
<b>Net current assets</b>		<b>141,145</b>	125,718
<b>Total assets less current liabilities</b>		<b>151,347</b>	138,856
<b>Non-current liabilities</b>			
Deferred tax liabilities		<b>136</b>	136
<b>Net assets</b>		<b>151,211</b>	138,720
<b>CAPITAL AND RESERVES</b>			
Share capital	14	<b>20,000</b>	20,000
Reserves	15	<b>131,211</b>	118,720
<b>Total equity</b>		<b>151,211</b>	138,720

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	Share capital	Share premium*	Merger reserve*	Capital contribution*	Translation reserve*	Dividend reserve*	Statutory reserve*	Retained earnings*	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		note 15(a)	note 15(b)	note 15(c)	note 15(d)	note 8	note 15(e)	note 15(f)	
<b>At 1 January 2022</b>	20,000	78,695	(45,952)	16,936	272	6,000	-	88,444	164,395
Profit for the period	-	-	-	-	-	-	-	24,704	24,704
Other comprehensive Income for the period									
- Exchange difference arising from translation of operations outside Hong Kong	-	-	-	-	(1,356)	-	-	-	(1,356)
Total comprehensive income for the period	-	-	-	-	(1,356)	-	-	24,704	23,348
<b>At 30 June 2022 (Unaudited)</b>	<u>20,000</u>	<u>78,695</u>	<u>(45,952)</u>	<u>16,936</u>	<u>(1,084)</u>	<u>6,000</u>	<u>-</u>	<u>113,148</u>	<u>187,743</u>
<b>At 1 January 2023</b>	20,000	78,695	(45,952)	16,936	(1,773)	20,000	-	50,814	138,720
Profit for the period	-	-	-	-	-	-	-	13,014	13,014
Other comprehensive income for the period									
- Exchange difference arising from translation of operations outside Hong Kong	-	-	-	-	(523)	-	-	-	(523)
Total comprehensive income for the period	-	-	-	-	(523)	-	-	13,014	12,491
Transfer to statutory reserve	-	-	-	-	-	-	1,504	(1,504)	-
<b>At 30 June 2023 (Unaudited)</b>	<u>20,000</u>	<u>78,695</u>	<u>(45,952)</u>	<u>16,936</u>	<u>(2,296)</u>	<u>20,000</u>	<u>1,504</u>	<u>62,324</u>	<u>151,211</u>

\* 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 2023

	<b>Six months ended 30 June 2023 HK\$'000 (Unaudited)</b>	Six months ended 30 June 2022 HK\$'000 (Unaudited)
<b>Cash flows from operating activities</b>		
Profit before income tax	15,898	30,872
Total non-cash adjustments	2,250	1,622
Total working capital adjustments	<u>(16,725)</u>	<u>(25,339)</u>
<b>Cash generated from operations</b>	<b>1,423</b>	<b>7,155</b>
Income tax paid	<u>(1,791)</u>	<u>(1,960)</u>
<b>Net cash (used in)/generated from operating activities</b>	<u><b>(368)</b></u>	<u><b>5,195</b></u>
<b>Cash flows from investing activities</b>		
Interest received	1,223	93
Prepayments for purchase of property, plant and equipment	(347)	(20)
Purchase of property, plant and equipment	<u>(723)</u>	<u>(724)</u>
<b>Net cash generated from/(used in) investing activities</b>	<u><b>153</b></u>	<u><b>(651)</b></u>
<b>Cash flows from financing activities</b>		
Payment of principal element of lease liabilities	(2,647)	(1,805)
Payment of interest element of lease liabilities	<u>(124)</u>	<u>(25)</u>
<b>Net cash used in financing activities</b>	<u><b>(2,771)</b></u>	<u><b>(1,830)</b></u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(2,986)</b>	<b>2,714</b>
<b>Cash and cash equivalents at the beginning of period</b>	<b>89,297</b>	<b>90,910</b>
<b>Effect of foreign exchange rate change on cash and cash equivalents</b>	<u><b>(56)</b></u>	<u><b>48</b></u>
<b>Cash and cash equivalents at the end of period</b>	<u><b>86,255</b></u>	<u><b>93,672</b></u>

## 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.

## 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 2022 (the “**Annual Report 2022**”) 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 2022 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 2022.

### 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 2023.

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

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:

	<b>Non-SMC segment HK\$'000</b>	<b>SMC segment HK\$'000</b>	<b>Total HK\$'000</b>
<b>Six months ended 30 June 2023</b>			
<b>(Unaudited)</b>			
Reportable segment revenue recognised at a point in time	<u>102,726</u>	<u>16,127</u>	<u>118,853</u>
Reportable segment profit	<u>29,014</u>	<u>4,254</u>	<u>33,268</u>
Corporate and unallocated income <sup>^</sup>			<u>4,000</u>
Corporate and unallocated expenses <sup>^</sup>			<u>(21,370)</u>
Profit before income tax			<u><u>15,898</u></u>

## 4. SEGMENT INFORMATION (Continued)

### Operating segment information (Continued)

	Non-SMC segment HK\$'000	SMC segment HK\$'000	Total HK\$'000
<b>Six months ended 30 June 2022</b>			
<b>(Unaudited)</b>			
Reportable segment revenue recognized at a point in time	<u>138,595</u>	<u>24,067</u>	<u>162,662</u>
Reportable segment profit	<u>37,873</u>	<u>5,619</u>	43,492
Corporate and unallocated income <sup>^</sup>			2,634
Corporate and unallocated expenses <sup>^</sup>			<u>(15,254)</u>
Profit before income tax			<u><u>30,872</u></u>

<sup>^</sup> 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 incurred for 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. Sales from the principal activities represent revenue from contracts with customers within the scope of HKFRS 15, which is recognised at a point in time and comprise:

	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Sales of electric fans and electric tools:		
– Fans	<b>57,063</b>	68,571
– Vacuum cleaners	<b>49,250</b>	67,792
– Work lights	<b>11,090</b>	25,983
– Others	<b>1,450</b>	316
	<u><b>118,853</b></u>	<u>162,662</u>

**6. PROFIT BEFORE INCOME TAX**

	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Profit before income tax is arrived at after charging:		
Cost of inventories recognised as expense		
– Carrying amount of inventories consumed	<b>85,374</b>	119,144
– Allowance for inventories	<b>211</b>	26
	<u><b>85,585</b></u>	<u>119,170</u>
Depreciation of property, plant and equipment	<b>1,091</b>	987
Depreciation of right-of use assets	<b>2,669</b>	1,786
Employee benefit expenses (including Directors' emoluments):		
– Salaries, wages and other benefits	<b>14,966</b>	13,861
– Contribution to defined contribution retirement plans	<b>631</b>	680
	<u><b>15,597</b></u>	<u>14,541</u>

## 7. INCOME TAX EXPENSE

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

	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Current tax		
– Hong Kong Profits Tax	<b>1,978</b>	3,756
– Other regions of the People’s Republic of China (the “ <b>PRC</b> ”)		
– Enterprise Income Tax (“ <b>EIT</b> ”)	<b>825</b>	2,456
– Under/(over) provision in respect of prior period	<b>81</b>	(44)
	<u><b>2,884</b></u>	<u>6,168</u>
Income tax expense		

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and is not subject to income tax in the Cayman Islands.

Hong Kong Profits Tax was calculated at 16.5% (2022: 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% (2022: 25%) on the estimated assessable income for the period.

## 8. DIVIDEND

Final dividend of HK\$0.01 per ordinary share of 2022, amounting to HK\$20,000,000 was proposed by the Board and was approved by the shareholders in the annual general meeting held on 16 June 2023.

An interim dividend in respect of 2023 of HK\$0.005 (six months ended 30 June 2022: HK\$0.02) per share amounting to a total of approximately HK\$10,000,000 was declared by the Board on 25 August 2023. This interim dividend has not been included as a liability in these unaudited condensed consolidated financial statements as it was declared after the end of the reporting period.

The amount of the interim dividend was calculated on the basis of 2,000,000,000 shares in issue as at 25 August 2023.

## 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:

	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
<b>Profit</b>		
Profit for the period attributable to owners of the Company	<b>13,014</b>	24,704

	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>Number of shares '000</b>	Number of shares '000
	<b>(Unaudited)</b>	(Unaudited)
<b>Number of shares:</b>		
Weighted average number of ordinary shares in issue during the period	<b>2,000,000</b>	2,000,000

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.

### (b) Diluted earnings per share

The diluted earnings per share is the same as the basic earnings per share for the six months ended 30 June 2023 and 2022 as there were no dilutive potential ordinary shares in issue during both periods.

## 10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2023, the Group acquired property, plant and equipment of approximately HK\$1,523,000 (six months ended 30 June 2022: HK\$2,387,000). Such additions mainly comprised of moulds, tools and machineries of HK\$851,000 (six months ended 30 June 2022: HK\$2,382,000).

## 11. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	<b>30 June 2023 HK\$'000 (Unaudited)</b>	31 December 2022 HK\$'000 (Audited)
Trade receivables	<b>69,955</b>	47,822
Less: Provision for impairment	<b>(288)</b>	(371)
	<hr/>	<hr/>
Trade receivables, net	<b>69,667</b>	47,451
Other receivables	<b>11,743</b>	4,468
Other prepayments and deposits	<b>3,603</b>	4,471
	<hr/>	<hr/>
	<b>85,013</b>	56,390
	<hr/> <hr/>	<hr/> <hr/>

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

	<b>30 June 2023 HK\$'000 (Unaudited)</b>	31 December 2022 HK\$'000 (Audited)
0 to 30 days	<b>12,585</b>	15,037
31 to 60 days	<b>18,085</b>	11,428
61 to 90 days	<b>17,535</b>	5,491
Over 90 days	<b>21,750</b>	15,866
	<hr/>	<hr/>
	<b>69,955</b>	47,822
	<hr/> <hr/>	<hr/> <hr/>

The Group normally allows a credit period of 0 days to 120 days to its customers.

**12. TRADE AND OTHER PAYABLES AND ACCRUALS**

	<b>30 June 2023 HK\$'000 (Unaudited)</b>	31 December 2022 HK\$'000 (Audited)
Trade payables	<b>22,791</b>	9,803
Accruals and other payables	<b>16,954</b>	26,112
Contract liabilities	<b>–</b>	160
	<b>39,745</b>	36,075

Credit periods granted by suppliers normally range from 0 to 150 days.

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

	<b>30 June 2023 HK\$'000 (Unaudited)</b>	31 December 2022 HK\$'000 (Audited)
0 to 30 days	<b>11,020</b>	8,137
31 to 60 days	<b>4,748</b>	717
61 to 90 days	<b>4,306</b>	177
Over 90 days	<b>2,717</b>	772
	<b>22,791</b>	9,803

## 13. AMOUNTS DUE FROM/TO ULTIMATE HOLDING COMPANY AND FELLOW SUBSIDIARIES

The amount due from ultimate holding company, Shell Holdings is non-trade in nature, unsecured, interest-free and repayable on demand.

The amount due from/to fellow subsidiaries are 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 2022 and the six months ended 30 June 2023 are summarised as follows:

Ordinary shares	Par value HK\$	Number of ordinary shares	Amount HK\$'000
<b>Authorised:</b>			
<b>At 1 January 2022, 31 December 2022 (audited) and 30 June 2023 (unaudited)</b>			
	0.01	<u>5,000,000,000</u>	<u>50,000</u>
<b>Issued and fully paid:</b>			
<b>At 1 January 2022, 31 December 2022 (audited) and 30 June 2023 (unaudited)</b>			
	0.01	<u>2,000,000,000</u>	<u>20,000</u>

## 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.

**15. RESERVES (Continued)****(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 in 2020.

**(d) Translation reserve**

Translation reserve comprises foreign exchange differences arising from the translation of the financial statements of operations outside Hong Kong.

**(e) Statutory reserve**

In accordance with the relevant PRC rules and regulations, a subsidiary of the Company is required to retain appropriate certain percentage of its profits after tax to the statutory reserve. Subject to certain restrictions as set out in the relevant PRC regulations, this statutory reserve may be used to make good previous years' losses, if any, or to increase the paid-up capital of the subsidiary and may be used for capital expenditure on staff welfare facilities, as appropriate.

**(f) 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 recognized separately as dividend reserve.

**16. CAPITAL COMMITMENTS**

	<b>30 June 2023 HK\$'000 (Unaudited)</b>	31 December 2022 HK\$'000 (Audited)
Contracted for but not provided in the financial statements		
– Acquisition of property, plant and equipment	<b>731</b>	1,058

## 17. RELATED PARTY TRANSACTIONS

The amounts due from/to ultimate holding company and fellow subsidiaries is disclosed in note 13.

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	
			2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
佛山市順德區規華多媒體製品有限公司 (Shunde SMC Multi-Media Products Company Limited*)	Fellow subsidiary	Rental fee charged by the related party for leasing of staff quarter	61	94
PFC Device (HK) Limited	Fellow subsidiary	Purchase of raw materials and goods from the related party	-	29
PFC Device Inc.	Fellow subsidiary	Purchase of raw materials and goods from the related party	42	-
Guangdong PFC Device Limited	Fellow subsidiary	Purchase of raw materials and goods from the related party	6	-
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	16,925	18,741

\* for identification purpose only

## 17. RELATED PARTY TRANSACTIONS (Continued)

*Note:*

The Group entered into 4 lease agreements with fellow subsidiaries and Shell Holdings for leasing of factory, office premises, warehouse and carpark space in Hong Kong and the PRC for a period of 12 months effective on 15 December 2022. For the six months ended 30 June 2023, monthly rental is approximately HK\$462,000 (six months ended 30 June 2022: HK\$305,000), which was determined with reference to amounts charged by fellow subsidiaries and Shell Holdings to third parties. 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 2023, total undiscounted rental payments under these leases were approximately HK\$2,771,000 (six months ended 30 June 2022: HK\$1,830,000). No building management fees were charged by above-mentioned relate parties in respect of these leases during the period ended 30 June 2023 and 2022.

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 period ended 30 June 2023 amounted to Renminbi ("**RMB**") 55,000 (equivalent to approximately HK\$61,000) (six months ended 30 June 2022: RMB78,000 equivalent to approximately HK\$94,000).

The above transactions were conducted on mutually agreed terms.

## BUSINESS REVIEW

In the first half of 2023, the Group's sales decreased compared to last year. The main reasons were slow economic recovery and increase in interest rates in the U.S., leading to weak worldwide market demand. The electric fan export business was further affected by foreign currencies depreciation and fluctuations. Price competition in the local market may further affect the electric fan's business. For the electric tools business, new product initiatives have slowed down significantly, due to an unstable economic outlook.

Looking forward, the year of 2024 remains uncertain. We will remain cautious with new investments to be better positioned with future uncertainties.

## FINANCIAL REVIEW

### Revenue and Operating Results

Revenue from the Group's operations for the six months ended 30 June 2023 amounted to HK\$118.9 million, representing a decrease of HK\$43.8 million or 26.9% as compared to HK\$162.7 million for the corresponding period in 2022. 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 2023 amounted to HK\$33.3 million, representing a decrease of HK\$10.2 million as compared to HK\$43.5 million for the corresponding period in 2022. The gross profit margin for the six months ended 30 June 2023 was 28.0%, representing an increase of 1.3 percentage points compared to 26.7% for the corresponding period in 2022.

Profit attributable to the owners of the Company for the six months ended 30 June 2023 was HK\$13.0 million, representing a decrease of HK\$11.7 million or 47.3% as compared to HK\$24.7 million for the corresponding period in 2022. The decrease in profit for the period was mainly attributable to the decrease of revenue 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 2023, the Group's total cash and bank balances amounted to approximately HK\$86.3 million (31 December 2022: HK\$89.3 million) which is mainly denominated in United States Dollars ("US\$") and HK\$.

As at 30 June 2023, the current ratio of the Group was approximately 4.13 times (31 December 2022: approximately 3.89 times).

The capital of the Group comprises only ordinary shares. As at 30 June 2023, 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 or division 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 foreign currencies, primarily HK\$, RMB and 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 2023 was nil (31 December 2022: nil) as the Group had net cash balances at the respective period end.

## **Capital Expenditure and Capital Commitments**

During the six month ended 30 June 2023, the Group incurred capital expenditures of approximately HK\$1.0 million for purchases of property, plant and equipment (30 June 2022: approximately HK\$0.7 million).

As at 30 June 2023, the Group had total capital commitments of approximately HK\$0.7 million (31 December 2022: HK\$1.1 million) for the acquisition of property, plant and equipment.

## **Contingent Liabilities**

The Directors confirm that there were no material contingent liabilities as at 30 June 2023 (31 December 2022: Nil).

## **Segment Information**

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

## **Significant Investment/Material Acquisition and Disposal**

During the six months ended 30 June 2023, the Group had not made any significant investments or material acquisitions and disposal of subsidiaries.

## **Employees and Remuneration Policy**

As at 30 June 2023, the total number of employees of the Group was 109 (31 December 2022: 106), which are stationed in the PRC, Hong Kong and Vietnam. 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 at 30 June 2023, the Group did not have any assets which were pledged as security for the Group's borrowings (31 December 2022: Nil).

## USE OF PROCEEDS FROM THE SHARE OFFER

The business planned use of proceeds as stated in the prospectus of the Company (the “**Prospectus**”) dated 19 May 2020 were based on the best estimation of future market conditions made by the Group at the time of preparing the Prospectus. The net proceeds from the share offer (after deducting the underwriting fees and related expenses) amounted to approximately HK\$42.5 million. As disclosed in the Company’s announcement dated 27 June 2023 (the “**Change in Use of Proceeds Announcement**”), having carefully considered the latest business and development needs of the Group, the Board have resolved to change the proposed use of the unutilized net proceeds in the amount of approximately HK\$34.0 million originally allocated for (i) improving of efficiencies; (ii) expanding manufacturing capabilities and (iii) devoting resources on new products. Please refer to the Change in Use of Proceeds Announcement for details. The following table sets forth the status of the use of revised allocation of the net proceeds as at the date of the Change in Use of Proceeds Announcement and 30 June 2023.

	Actual use of net proceeds from the				
	Listing Date	Reallocation	Amount		
Allocation of net proceeds as disclosed in the Prospectus	to the date of the Change in Use of Proceeds Announcement	as stated in the Change in Use of Proceeds Announcement	utilized after reallocation of use of proceeds on 27 June 2023	Unutilised proceeds as at 30 June 2023	
HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Improvement of efficiencies	6.3	(3.2)	(2.8)	-	0.3
Expand manufacturing capabilities	25.9	(4.0)	(21.5)	-	0.4
Devoting resources on new products	10.3	(0.6)	(9.7)	-	-
Discount purchase of products from suppliers	-	-	34.0	(1.8)	32.2
	<u>42.5</u>	<u>(7.8)</u>	<u>-</u>	<u>(1.8)</u>	<u>32.9</u>

The unutilized net proceeds have been placed with licensed banks in Hong Kong as interest bearing deposits in accordance with the intention of the Board as disclosed in the Prospectus and the Change in Use of Proceeds Announcement. The balance of the unutilized proceeds is expected to be utilized during the year 31 December 2024.

## **DIVIDEND**

The Board has resolved to declare an interim dividend of HK\$0.005 (six months ended 30 June 2022: HK\$0.02) per share for the six months ended 30 June 2023 to be paid on 28 September 2023 to the shareholders of the Company whose names appear on the register of members of the Company on Wednesday, 13 September 2023.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Monday, 11 September 2023 to Wednesday, 13 September 2023, both dates inclusive, during which period no transfer of shares of the Company will be registered for the purpose of determining the entitlement to the interim dividend.

In order to qualify for the interim dividend, all transfers of shares of the Company accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Boardroom Share Registrars (HK) Limited, at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong not later than 4:30 p.m. on Friday, 8 September 2023 for registration.

## DISCLOSURE OF INTERESTS

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

As at 30 June 2023, 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

<u>Name of Director</u>	<u>Capacity/Nature of interest</u>	<u>Number of shares held/ interested in the Company</u>	<u>Percentage of shareholding as at 30 June 2023</u>
Mr. Yung Kwok Kee, Billy ("Mr. Yung")	Interest in a controlled corporation ( <i>Note</i> )	1,500,000,000	75.00%

*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

<u>Name of Director/ chief executive</u>	<u>Name of associated corporation</u>	<u>Capacity/Nature of interest</u>	<u>Number of shares in associated corporation</u>	<u>Percentage of shareholding as at 30 June 2023</u>
Mr. Yung	Shell Holdings	Interest in a controlled corporation ( <i>Note</i> )	421,531,111	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 2023, 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 2023, 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 2023</u>
Shell Holdings	Beneficial owner	1,500,000,000 ( <i>Note 1</i> )	Long	75.00%
Red Dynasty	Interest in a controlled corporation	1,500,000,000 ( <i>Note 1</i> )	Long	75.00%
Mr. Yung	Interest in a controlled corporation	1,500,000,000 ( <i>Note 1</i> )	Long	75.00%
Mrs. Yung	Interest of spouse	1,500,000,000 ( <i>Note 2</i> )	Long	75.00%
Hong Kong Construction (Hong Kong) Limited	Beneficial owner	180,090,000 ( <i>Note 3</i> )	Long	9.00%
HKC (Holdings) Limited	Interest in a controlled corporation	180,090,000 ( <i>Note 3</i> )	Long	9.00%
Creator Holdings Limited	Interest in a controlled corporation	180,090,000 ( <i>Note 3</i> )	Long	9.00%
Claudio Holdings Limited	Interest in a controlled corporation	180,090,000 ( <i>Note 3</i> )	Long	9.00%
Mr. Oei Kang, Eric ("Mr. Oei")	Interest in a controlled corporation	180,090,000 ( <i>Note 3</i> )	Long	9.00%

*Notes:*

1. 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 67.829% 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 2023 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 the shareholder 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 2023, 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 2023.

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 2023. 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 2023, including the accounting principles and practices adopted by the Group, and discussed financial reporting, auditing and internal controls matters and reviewed this interim report.

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

Hong Kong, 25 August 2023

*As at the date of this report, the Board comprises three executive directors, namely, Mr. LEUNG Chun Wah, Mr. TANG Che Yin and Mr. CHOW Kai Chiu, David; two non-executive directors, namely, Mr. YUNG Kwok Kee, Billy and Mdm. LI Pik Mui, Cindy; and three independent non-executive directors, namely, Mr. LEUNG Man Chiu, Lawrence, Mr. POON Chak Sang, Plato and Mr. HO Chi Sing, Spencer.*