

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of SMC Electric Limited (the “**Company**”) hereby announces the audited consolidated annual results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2023.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Notes	2023 HK\$'000	2022 HK\$'000
Revenue	4	232,920	254,489
Cost of revenue		<u>(169,228)</u>	<u>(184,529)</u>
Gross profit		63,692	69,960
Other income		7,201	4,128
Selling and distribution expenses		(1,581)	(2,055)
Administrative and other operating expenses		(44,986)	(42,458)
Reversal of impairment loss/(Impairment loss) on financial assets		64	(97)
Other gains/(losses)		257	(260)
Finance costs		<u>(168)</u>	<u>(34)</u>
Profit before income tax	5	24,479	29,184
Income tax expense	6	<u>(3,706)</u>	<u>(6,814)</u>
Profit for the year attributable to owners of the Company		<u>20,773</u>	<u>22,370</u>
Other comprehensive income			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange difference arising from translation of operations outside Hong Kong		<u>(232)</u>	<u>(2,045)</u>
Total comprehensive income for the year attributable to owners of the Company		<u>20,541</u>	<u>20,325</u>
Earnings per share	8	HK Cents	HK Cents
– Basic and diluted		<u>1.039</u>	<u>1.119</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	<i>Notes</i>	2023 HK\$'000	2022 <i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		4,493	4,941
Right-of-use assets		3,548	5,324
Prepayments for acquisition of property, plant and equipment		<u>2,862</u>	<u>2,873</u>
		<u>10,903</u>	<u>13,138</u>
Current assets			
Inventories		18,047	23,374
Trade and other receivables, deposits and prepayments	<i>9</i>	72,223	56,390
Amount due from ultimate holding company		–	147
Amount due from a fellow subsidiary		–	6
Cash and bank balances		<u>82,158</u>	<u>89,297</u>
		<u>172,428</u>	<u>169,214</u>
Current liabilities			
Trade and other payables and accruals	<i>10</i>	49,708	36,075
Lease liabilities		3,596	5,360
Amounts due to fellow subsidiaries		497	738
Tax payable		<u>2</u>	<u>1,323</u>
		<u>53,803</u>	<u>43,496</u>
Net current assets		<u>118,625</u>	<u>125,718</u>
Total assets less current liabilities		<u>129,528</u>	<u>138,856</u>
Non-current liabilities			
Deferred tax liabilities		<u>267</u>	<u>136</u>
Net assets		<u>129,261</u>	<u>138,720</u>
CAPITAL AND RESERVES			
Share capital	<i>11</i>	20,000	20,000
Reserves		<u>109,261</u>	<u>118,720</u>
Total equity		<u>129,261</u>	<u>138,720</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

1. GENERAL INFORMATION

The Company 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 on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 2 June 2020.

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 is Shell Electric Holdings Limited, a company incorporated in Bermuda.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards which collective term includes individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations (hereinafter collectively referred to as the “**HKFRS**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange (the “**Listing Rules**”).

The consolidated financial statements have been prepared under the historical cost basis.

The consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), which is the same as the functional currency of the Company.

Accounting estimates and assumptions are used in the preparation of the consolidated financial statements. Although these estimates and assumptions are based on management’s best knowledge and judgment of current events and actions, actual results may ultimately be different from those estimates and assumptions.

3. ADOPTION OF NEW AND AMENDMENTS TO HKFRS

(a) Adoption of new and amendments to HKFRS – effective on 1 January 2023

The HKICPA has issued a number of new and amendments to HKFRS that are relevant to and effective for the current accounting period of the Group:

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
HKFRS 17	Insurance Contracts

Except as disclosed below, the adoption of the above new and amendments to HKFRS that are effective from 1 January 2023 does not have any significant impact on the Group's financial results and financial position.

Amendments to HKAS 1 and HKFRS Practice Statement 2 – Disclosure of Accounting Policies

Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

Amendments to HKFRS Practice Statement 2 Making Materiality Judgements provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures.

These amendments have no effect on the measurement or presentation of any items in the consolidated financial statements of the Group but affect the disclosure of accounting policies of the Group.

HKFRS 17 – Insurance Contracts

HKFRS 17 defines an insurance contract as a contract under which the Group accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.

In October 2020, the HKICPA issued Amendments to HKFRS 17 to address concerns and implementation challenges that were identified after HKFRS 17 was published. The amendments defer the date of initial application of HKFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after 1 January 2023. At the same time, the HKICPA issued Amendments to HKFRS 4 Extension of the Temporary Exemption from HKFRS 9 that extends the fixed expiry date of the temporary exemption from applying HKFRS 9 in HKFRS 4 to annual reporting periods beginning on or after 1 January 2023.

In February 2022, the HKICPA issued Amendment to HKFRS 17 Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information to address implementation challenges that were identified after HKFRS 17 was published. The amendment addresses challenges in the presentation of comparative information.

Certain contracts entered into by the Group, including warranty contracts issued by the Group, meet the definition of insurance contracts under HKFRS 17. However, these contracts are specifically scoped out from HKFRS 17 and the Group continues to account for these contracts under relevant accounting standards. Therefore, the application of HKFRS 17 in the current year had no material impact on the consolidated financial statements.

(b) New HKICPA guidance on the accounting implications of the abolition of the MPF-LSP offsetting mechanism

In June 2022, the Hong Kong SAR Government gazetted the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the “**Amendment Ordinance**”), which will come into effect from 1 May 2025 (the “**Transition Date**”). Once the Amendment Ordinance takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory contributions to mandatory provident fund (“**MPF**”) scheme to reduce the long service payment (“**LSP**”) in respect of an employee’s service from the Transition Date (the abolition of the “**offsetting mechanism**”). In addition, the LSP in respect of the service before the Transition Date will be calculated based on the employee’s monthly salary immediately before the Transition Date and the number of years of employee’s service up to that date.

In July 2023, the HKICPA published “Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong” that provides accounting guidance relating to the offsetting mechanism and the abolition of the mechanism.

To better reflect the substance of the interaction between the accrued benefits arising from employer MPF contributions and LSP obligation, the Group has changed its accounting policy in connection with its LSP liability and has applied the above HKICPA guidance retrospectively. In the opinion of the Directors, this change in accounting policy did not have material impact on the consolidated statement of financial position as at 31 December 2022 and 31 December 2023.

(c) Amendments to HKFRS that have been issued but are not yet effective

The following amendments to HKFRS, potentially relevant to the Group’s consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group in the preparation of the consolidated financial statements.

Amendments to HKAS 1	Classification of Liabilities as Current or Non-Current ¹
Amendments to HKAS 1	Non-Current Liabilities with Covenants ¹
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ¹

¹ Effective for annual periods beginning on or after 1 January 2024

The Directors anticipate that all of the relevant pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. The Directors are currently assessing the possible impact of these revised standards on the Group's results and financial position in the first year of application. The Directors consider that these amendments are unlikely to have a material impact to the Group's consolidated financial statements.

4. 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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Sales of electric fans and electric tools:		
– Fans	102,559	111,554
– Vacuum cleaners	107,013	106,796
– Work lights	21,687	34,471
– Others	<u>1,661</u>	<u>1,668</u>
	<u>232,920</u>	<u>254,489</u>

5. PROFIT BEFORE INCOME TAX

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Profit before income tax is arrived at after charging/(crediting):		
Auditors' remuneration:		
– Current year	858	833
Cost of inventories recognised as expense		
– Carrying amount of inventories consumed	169,379	184,230
– (Reversal of allowance)/Allowance for inventories	<u>(151)</u>	<u>299</u>
	<u>169,228</u>	<u>184,529</u>
Depreciation of property, plant and equipment	2,053	2,047
Depreciation of right-of-use assets	5,355	3,581
Donations	520	4,851
Short-term lease expense	–	796
Write-off of other receivables	–	19
Employee benefit expenses (including directors' emoluments):		
– Salaries, wages and other benefits	32,788	31,734
– Contribution to defined contribution retirement plans	<u>1,309</u>	<u>1,378</u>
	<u>34,097</u>	<u>33,112</u>

6. INCOME TAX EXPENSE

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current tax for the year		
– Hong Kong Profits Tax	3,513	4,822
– Other regions of the People’s Republic of China (the “PRC”) – Enterprise Income Tax (“EIT”)	155	1,212
– Withholding tax on dividends	–	666
	<u>3,668</u>	<u>6,700</u>
(Over)/Under provision in prior years		
– Hong Kong Profits Tax	(189)	20
– Other regions of the PRC	96	(42)
	<u>(93)</u>	<u>(22)</u>
Deferred tax	<u>131</u>	<u>136</u>
Income tax expense	<u><u>3,706</u></u>	<u><u>6,814</u></u>

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 year.

During the year ended 31 December 2023, SMC Electric (China) Limited qualified as a Small and Micro Enterprise (“SME”) and was entitled to the PRC preferential EIT rate of 5% (2022: 25%). Pursuant to the Announcement of the PRC [2023] No. 12 “Announcement on Tax and Fee Policies for Further Supporting the Development of Small and Micro Enterprises and Individual Businesses” (《關於進一步支持小微企業和個體工商戶發展有關稅費政策的公告》) issued by the Ministry of Finance and the State Taxation Administration, for an entity qualified as SME, the taxable income not exceeding RMB3 million shall be calculated at a reduced rate of 25% as taxable income and be subject to EIT rate of 20%, i.e. an effective rate of 5%.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. The Group is therefore liable for withholding taxes on dividends distributed by its subsidiary established in the PRC in respect of earnings generated by the subsidiary from 1 January 2008 and the applicable tax rate is 5%.

7. DIVIDENDS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interim dividend of HK\$0.005 (2022:HK\$0.02) per ordinary share	10,000	40,000
Proposed final dividend of HK\$0.005 (2022: HK\$0.01) per ordinary share	<u>10,000</u>	<u>20,000</u>
	<u>20,000</u>	<u>60,000</u>

The final dividend of HK\$0.005 (2022: HK\$0.01) per ordinary share, amounting to HK\$10,000,000 (2022: HK\$20,000,000), has been proposed by the Directors and is subject to approval by the shareholders of the Company in the forthcoming annual general meeting.

8. 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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Profit		
Profit for the year attributable to owners of the Company	<u>20,773</u>	<u>22,370</u>
	2023 <i>Number of shares '000</i>	2022 <i>Number of shares '000</i>
Number of shares		
Weighted average number of ordinary shares in issue during the year	<u>2,000,000</u>	<u>2,000,000</u>

(b) Diluted earnings per share

The diluted earnings per share is the same as the basic earnings per share as there were no dilutive potential ordinary shares in issue during the current and prior years.

9. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables	62,659	47,822
Less: Provision for impairment	<u>(307)</u>	<u>(371)</u>
Trade receivables, net	62,352	47,451
Other receivables	1,338	4,468
Other prepayments and deposits	<u>8,533</u>	<u>4,471</u>
	<u><u>72,223</u></u>	<u><u>56,390</u></u>

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0 to 30 days	16,557	15,037
31 to 60 days	15,503	11,428
61 to 90 days	15,571	5,491
Over 90 days	<u>15,028</u>	<u>15,866</u>
	<u><u>62,659</u></u>	<u><u>47,822</u></u>

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

10. TRADE AND OTHER PAYABLES AND ACCRUALS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade payables	22,474	9,803
Accruals and other payables	25,222	26,112
Contract liabilities	<u>2,012</u>	<u>160</u>
	<u><u>49,708</u></u>	<u><u>36,075</u></u>

Credit periods granted by suppliers normally range from 0 to 120 days.

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

	2023	2022
	HK\$'000	<i>HK\$'000</i>
0 to 30 days	9,626	8,137
31 to 60 days	4,796	717
61 to 90 days	3,757	177
Over 90 days	4,295	772
	<u>22,474</u>	<u>9,803</u>

11. SHARE CAPITAL

Details of the movements in the authorised and issued and fully paid share capital of the Company during the current and prior years are summarised as follows:

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year ended 31 December 2023, overall sales dropped compared to the prior year. Uncertainties in the global environment and currency fluctuations had led to more cautious purchases by customers.

The electric fan business experienced price competition in the Middle East market, resulting in reduction of sales and gross profit.

The electric tools business experienced minor reduction in sales with diversification in new product initiatives.

Looking forward, year 2024 continues to be challenging. We will continue to adopt multiple plans including reaching new customers and strive to achieve a stable return.

FINANCIAL REVIEW

Revenue and operating results

Revenue from the Group's operations for the year ended 31 December 2023 amounted to HK\$232.9 million, representing a decrease of HK\$21.6 million or 8.5% as compared to HK\$254.5 million for the year ended 31 December 2022. Such decrease was primarily attributable to the decrease in the sales volume.

The Group's gross profit for the year ended 31 December 2023 amounted to HK\$63.7 million, representing a decrease of HK\$6.3 million as compared to HK\$70.0 million for the year ended 31 December 2022. The gross profit margin for the year ended 31 December 2023 was 27.3%, representing a decrease of 0.2 percentage points compared to 27.5% for the year ended 31 December 2022.

Profit attributable to the owners of the Company for the year ended 31 December 2023 was HK\$20.8 million, representing a decrease of HK\$1.6 million or 7.1% as compared to HK\$22.4 million for the year ended 31 December 2022. The decrease in profit for the year 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 next 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 31 December 2023, the Group's total cash and bank balances amounted to approximately HK\$82.2 million (2022: HK\$89.3 million) which is mainly denominated in United States Dollars ("US\$").

As at 31 December 2023, the current ratio of the Group was approximately 3.20 times (2022: approximately 3.89 times).

The capital of the Group comprises only ordinary shares. As at 31 December 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 announcement.

Foreign Exchange Exposure

The Group mainly operates in Hong Kong, the PRC and Vietnam. The functional currencies of the Company and the Group's operating entities are mainly HK\$ and Renminbi (the "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 financial year, 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 31 December 2023 was nil (2022: nil) as the Group had net cash balances at the respective year end.

Capital Expenditure and Capital Commitments

During the year ended 31 December 2023, the Group incurred capital expenditure of HK\$5.4 million for the purchase of property, plant and equipment, right-of-use assets and prepayment for acquisition of property, plant and equipment (2022: HK\$6.3 million).

As at 31 December 2023, the Group had total capital commitments of approximately HK\$0.6 million (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 31 December 2023 (2022: nil).

Significant Investment/Material Acquisition and Disposal

During the year ended 31 December 2023, the Group had not made any significant investments or material acquisitions and disposals of subsidiaries.

Employees and Remuneration Policy

As at 31 December 2023, the total number of employees of the Group was 112 (2022: 106), which were 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 31 December 2023, the Group did not have any assets which were pledged as security for the Group's borrowings (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 unutilised 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 proceeds as at 31 December 2023.

	Allocation of net proceeds as disclosed in the Prospectus <i>HK\$ million</i>	Unutilised amount as at 31 December 2022 <i>HK\$ million</i>	Utilised amount from 1 January 2023 to the date of Change in Use of Proceeds <i>HK\$ million</i>	Reallocation as stated in the Change in Use of Proceeds <i>HK\$ million</i>	Amount utilised from reallocation as stated in the Change in Use of Proceeds <i>HK\$ million</i>	Unutilised amount as at 31 December 2023 <i>HK\$ million</i>	Expected timeline for use of unutilised proceeds
Improvement of efficiencies	6.3	3.7	(0.6)	(2.8)	(0.1)	0.2	By end of 31 December 2024
Expand manufacturing capabilities	25.9	22.2	(0.3)	(21.5)	-	0.4	By end of 31 December 2024
Devoting resources on new products	10.3	9.8	(0.1)	(9.7)	-	-	N/A
Discount purchase of products from suppliers	-	-	-	34.0	(11.6)	22.4	By end of 31 December 2024
	<u>42.5</u>	<u>35.7</u>	<u>(1.0)</u>	<u>-</u>	<u>(11.7)</u>	<u>23.0</u>	

The unutilised net proceeds have been placed with licensed banks in Hong Kong.

SHARE OPTION SCHEME

The Company has a share option scheme (the “**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 year ended 31 December 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 Corporate Governance Code (the “**CG Code**”) set out in Appendix C1 to the Listing Rules have been duly adopted by the Board as the code on corporate governance practices of the Company.

The Company has complied with the code provisions of the CG Code as set out in Appendix C1 to the Listing Rules for the time being in force throughout the year ended 31 December 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 for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 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 year ended 31 December 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 year 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 annual results and the consolidated financial statements for the year ended 31 December 2023, including the accounting principles and practices adopted by the Group, and discussed financial reporting, auditing, internal controls and risk management systems.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This announcement is published on the HKEXnews website of the Stock Exchange (<http://www.hkexnews.hk>) and the Company’s website (<http://www.smcelectric.com.hk>). The 2023 Annual Report for the year ended 31 December 2023 will be despatched to shareholders of the Company and will be made available on the above websites in due course.

REVIEW OF THIS ANNUAL RESULTS ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in this preliminary announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by BDO Limited on the preliminary announcement.

FINAL DIVIDEND

The Board of the Company has proposed a final dividend of HK0.5 cent (2022: HK1.0 cent) per ordinary share for the year ended 31 December 2023.

CLOSURE OF REGISTER OF MEMBERS

To ascertain the members' entitlement to attend and vote at the forthcoming annual general meeting, the register of members will be closed from Friday, 7 June 2024 to Friday, 14 June 2024, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attendance of the meeting, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Boardroom Share Registrars (HK) Limited, at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 6 June 2024.

Subject to the approval of the shareholders at the forthcoming annual general meeting, the proposed final dividend will be payable on Wednesday, 17 July 2024 to the shareholders whose names appear on the register of members of the Company on Tuesday, 25 June 2024. To ascertain the entitlement of the shareholders to the proposed final dividend, the register of members of the Company will be closed from Friday, 21 June 2024 to Tuesday, 25 June 2024, both days inclusive, during which period no transfer of shares will be registered by the Company. In order to qualify for the proposed final dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Boardroom Share Registrars (HK) Limited, at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 20 June 2024.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held at 1/F, Shell Industrial Building, 12 Lee Chung Street, Chai Wan, Hong Kong on Friday, 14 June 2024 at 10:30 a.m. The notice of the annual general meeting will be published and despatched to the shareholders of the Company in the manner as required by the Listing Rules in due course.

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

Hong Kong, 25 March 2024

As at the date of this announcement, 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.