

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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2024

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 2024, together with the unaudited comparative figures for the six months ended 30 June 2023 and certain comparative figures as at the end of the last audited financial year ended 31 December 2023. The condensed consolidated statement of comprehensive income of the Group for the six months ended 30 June 2024 and the condensed consolidated statement of financial position of the Group as at 30 June 2024, along with selected explanatory notes have not been audited, but have been reviewed by the Company’s audit committee.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024

		Six months ended 30 June 2024 HK\$'000 (Unaudited)	Six months ended 30 June 2023 HK\$'000 (Unaudited)
	<i>Notes</i>		
Revenue	4	123,920	118,853
Cost of revenue		<u>(89,244)</u>	<u>(85,585)</u>
Gross profit		34,676	33,268
Other income		3,702	4,000
Selling and distribution expenses		(783)	(800)
Administrative and other operating expenses		(22,563)	(21,053)
Other gains		474	607
Finance costs		(89)	(124)
Profit before income tax	5	15,417	15,898
Income tax expense	6	(2,457)	(2,884)
Profit for the period attributable to owners of the Company		<u>12,960</u>	<u>13,014</u>
Other comprehensive income			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange difference arising from translation of overseas operations outside Hong Kong		<u>(107)</u>	<u>(523)</u>
Total comprehensive income for the period attributable to owners of the Company		<u>12,853</u>	<u>12,491</u>
		<i>HK Cents</i>	<i>HK Cents</i>
Earnings per share	8		
– Basic and diluted		<u>0.648</u>	<u>0.651</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

		30 June 2024 <i>HK\$'000</i> (Unaudited)	31 December 2023 <i>HK\$'000</i> (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		5,568	4,493
Right-of-use assets		1,770	3,548
Prepayments for acquisition of property, plant and equipment		1,079	2,862
		8,417	10,903
Current assets			
Inventories		19,892	18,047
Trade and other receivables, deposits and prepayments	9	77,772	72,223
Cash and bank balances		90,317	82,158
		187,981	172,428
Current liabilities			
Trade and other payables and accruals	10	49,636	49,708
Lease Liabilities		1,822	3,596
Amounts due to fellow subsidiaries		1,376	497
Tax payable		1,183	2
		54,017	53,803
Net current assets		133,964	118,625
Total assets less current liabilities		142,381	129,528
Non-current liabilities			
Deferred tax liabilities		267	267
Net assets		142,114	129,261
CAPITAL AND RESERVES			
Share capital	11	20,000	20,000
Reserves		122,114	109,261
Total equity		142,114	129,261

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2024

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 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 (“**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 2023 (the “**Annual Report 2023**”) which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).

The unaudited condensed consolidated interim financial information has 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 2023 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 judgments 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 2023.

3. ADOPTION OF NEW OR AMENDMENTS TO HKFRSs

3.1 Adoption of amendments to HKFRS – effective to HKFRS – effective on 1 January 2024

During the current period, the Group has applied for the first time the following amendments issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2024.

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

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

3.2 New or amendments to HKFRS that have been issued but are not yet effective

The following new or 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 unaudited condensed consolidated financial statements.

Amendments to HKFRS 9 and HKFRS 7	Classification and measurement of financial instruments ¹
HKFRS 18	Presentation and Disclosures in Financial Statements ²

¹ Effective for annual periods beginning on or after 1 January 2026

² Effective for annual periods beginning on or after 1 January 2027

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 new or amendments to standards on the Group's results and financial position upon initial application.

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:

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Sales of electric fans and electric tools:		
– Fans	59,054	57,063
– Vacuum cleaners	53,320	49,250
– Work lights	11,445	11,090
– Others	101	1,450
	<u>123,920</u>	<u>118,853</u>

5. PROFIT BEFORE INCOME TAX

	Six months ended 30 June	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Profit before income tax is arrived at after charging:		
Cost of inventories recognised as expense		
– Carrying amount of inventories consumed	89,208	85,374
– Allowance for inventories	36	211
	<u>89,244</u>	<u>85,585</u>
Depreciation of property, plant and equipment	1,075	1,091
Depreciation of right-of-use assets	1,772	2,669
Employee benefit expenses (including Directors' emoluments):		
– Salaries, wages and other benefits	17,698	14,966
– Contribution to defined contribution retirement plans	627	631
	<u>18,325</u>	<u>15,597</u>

6. INCOME TAX EXPENSE

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

	Six months ended 30 June	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Current tax		
– Hong Kong Profits Tax	1,533	1,978
– Other regions of the People's Republic of China ("PRC")		
– Enterprise Income Tax ("EIT")	943	825
– (Over)/under provision in respect of prior period	(19)	81
	<u>2,457</u>	<u>2,884</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% (2023: 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% (2023: 25%) on the estimated assessable income for the period.

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. DIVIDEND

Final dividend of HK\$0.005 per ordinary share, amounting to HK\$10,000,000 was proposed by the Directors and was approved by the shareholders in the annual general meeting held on 14 June 2024.

An interim dividend in respect of 2024 of HK\$0.005 (six months ended 30 June 2023: HK\$0.005) per share amounting to a total of approximately HK\$10,000,000 was declared by the Board of the Directors on 27 August 2024. 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 27 August 2024.

8. EARNINGS PER SHARE

(a) Basic earnings per share

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

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Earnings:		
Profit for the period attributable to owners of the Company	12,960	13,014
	2,000,000	2,000,000

	Six months ended 30 June	
	2024	2023
	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	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 2024 and 2023 as there were no dilutive potential ordinary shares in issue during both periods.

9. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
Trade receivables	70,003	62,659
Less: Provision for impairment	<u>(263)</u>	<u>(307)</u>
Trade receivables, net	69,740	62,352
Other receivables	4,397	1,338
Other prepayments and deposits	<u>3,635</u>	<u>8,533</u>
	<u>77,772</u>	<u>72,223</u>

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

	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
0 to 30 days	21,747	16,557
31 to 60 days	18,432	15,503
61 to 90 days	15,013	15,571
Over 90 days	<u>14,811</u>	<u>15,028</u>
	<u>70,003</u>	<u>62,659</u>

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

10. TRADE AND OTHER PAYABLES AND ACCRUALS

	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
Trade payables	28,913	22,474
Accruals and other payables	20,113	25,222
Contract liabilities	<u>610</u>	<u>2,012</u>
	<u>49,636</u>	<u>49,708</u>

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

	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
0 to 30 days	14,445	9,626
31 to 60 days	5,598	4,796
61 to 90 days	1,885	3,757
Over 90 days	6,985	4,295
	<u>28,913</u>	<u>22,474</u>

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

11. 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 2023 and the six months ended 30 June 2024 are summarised as follows:

Ordinary shares	Par value HK\$	Number of ordinary shares	Amount HK\$'000
<u>Authorised:</u>			
At 1 January 2023, 31 December 2023 (audited) and 30 June 2024 (unaudited)	0.01	<u>5,000,000,000</u>	<u>50,000</u>
<u>Issued and fully paid:</u>			
At 1 January 2023, 31 December 2023 (audited) and 30 June 2024 (unaudited)	0.01	<u>2,000,000,000</u>	<u>20,000</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2024, the Group's sales increased compared to last year. The main reason was slight economic recovery in regions such as the Middle East, Africa and Asia. The electric fan business performed above expectation and was able to maintain a stable gross profit margin. For the electric tools business, sales orders increased slightly when compared to the same period as last year. Several new products were at the stages of design or pre-trial production.

Looking forward, global recovery in the year of 2024 will remain slow. We will use an optimistic and cautious attitude to face future challenges brought by an unstable environment.

FINANCIAL REVIEW

Revenue and Operating Results

Revenue from the Group's operations for the six months ended 30 June 2024 amounted to HK\$123.9 million, representing an increase of HK\$5.0 million or 4.2% as compared to HK\$118.9 million for the corresponding period in 2023. Such increase was primarily attributable to the increase in the sales volume.

The Group's gross profit for the six months ended 30 June 2024 amounted to HK\$34.7 million, representing an increase of HK\$1.4 million as compared to HK\$33.3 million for the corresponding period in 2023. The gross profit margin for the six months ended 30 June 2024 and 2023 were 28.0%.

Profit attributable to the owners of the Company for the six months ended 30 June 2024 and 2023 were HK\$13.0 million.

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 2024, the Group's total cash and bank balances amounted to approximately HK\$90.3 million (31 December 2023: HK\$82.2 million) which is mainly denominated in United States Dollars ("US\$") and HK\$.

As at 30 June 2024, the current ratio of the Group was approximately 3.48 times (31 December 2023: approximately 3.20 times).

The capital of the Group comprises only ordinary shares. As at 30 June 2024, 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 and the PRC. The functional currencies of the Company and the Group's operating entities are mainly HK\$ and Renminbi ("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 2024 was nil (31 December 2023: 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 2024, the Group incurred capital expenditures of approximately HK\$0.4 million for purchases of property, plant and equipment and prepayment for acquisition of property, plant and equipment (six months ended 30 June 2023: approximately HK\$1.0 million).

As at 30 June 2024, the Group had total capital commitments of approximately HK\$0.4 million (31 December 2023: HK\$0.6 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 2024 (31 December 2023: Nil).

Significant Investment/Material Acquisition and Disposal

During the six months ended 30 June 2024, the Group had not made any significant investments or material acquisitions and disposal of subsidiaries.

Employees and Remuneration Policy

As at 30 June 2024, the total number of employees of the Group was 113 (31 December 2023: 109), 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 2024, the Group did not have any assets which were pledged as security for the Group's borrowings (31 December 2023: 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 2024.

	Allocation of net proceeds as disclosed in the Prospectus <i>HK\$ million</i>	Reallocation as stated in the Change in Use of Proceeds Announcement <i>HK\$ million</i>	Utilised amount as at 31 December 2023 <i>HK\$ million</i>	Unutilised amount as at 31 December 2023 <i>HK\$ million</i>	Utilised amount during the six months ended 30 June 2024 <i>HK\$ million</i>	Unutilised amount as at 30 June 2024 <i>HK\$ million</i>
Improvement of efficiencies	6.3	(2.8)	(3.3)	0.2	-	0.2
Expand manufacturing capabilities	25.9	(21.5)	(4.0)	0.4	(0.3)	0.1
Devoting resources on new products	10.3	(9.7)	(0.6)	-	-	-
Discount purchase of products from suppliers	-	34.0	(11.6)	22.4	(8.2)	14.2
	<u>42.5</u>	<u>-</u>	<u>(19.5)</u>	<u>23.0</u>	<u>(8.5)</u>	<u>14.5</u>

The unutilized net proceeds have been placed with licensed banks in Hong Kong. The balance of the unutilized proceeds is expected to be utilized during the year 31 December 2024.

INTERIM DIVIDEND

DIVIDEND

The Board has resolved to declare an interim dividend of HK\$0.005 (six months ended 30 June 2023: HK\$0.005) per share for the six months ended 30 June 2024 to be paid on 26 September 2024 to the shareholders of the Company whose names appear on the register of members of the Company on Friday, 13 September 2024.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 11 September 2024 to Friday, 13 September 2024, 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 Tuesday, 10 September 2024 for registration.

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 2024, 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 C1 to the Listing Rules throughout the six months ended 30 June 2024.

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") 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 six months ended 30 June 2024. 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 2024, including the accounting principles and practices adopted by the Group, and discussed financial reporting, auditing and internal controls matters.

PUBLICATION OF INTERIM RESULTS AND INTERIM 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 Interim Report for the six months ended 30 June 2024 will be despatched to shareholders of the Company and will be made available on the above websites in due course.

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

Hong Kong, 27 August 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 Ms. 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.