



SMC ELECTRIC LIMITED

蜆壳電業有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2381

INTERIM REPORT

2020



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BOARD OF DIRECTORS

Executive Directors

Mr. Leung Chun Wah

Mr. Tang Che Yin

Non-executive Directors

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

Independent Non-executive Directors

Mr. Leung Man Chiu, Lawrence

Mr. Poon Chak Sang, Plato

Mr. Lam Sai Yu, Geoffrey

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 *ACIS, ACS*

REGISTERED OFFICE

PO Box 1350, Clifton House,

75 Fort Street,

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

PO Box 1350, Clifton House, 75 Fort Street,

Grand Cayman KY1-1108, Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Boardroom Share Registrars (HK) Limited

2103B, 21/F, 148 Electric Road,

North Point, Hong Kong

AUTHORISED REPRESENTATIVES

Mr. Leung Chun Wah

Mr. Tang Che Yin

COMPLIANCE OFFICER

Mr. Leung Chun Wah

COMPLIANCE ADVISER

Red Sun Capital Limited

AUDITOR

BDO Limited

Certified Public Accountants

COMPANY'S WEBSITE

www.smcelectric.com.hk

STOCK CODE

2381

UNAUDITED INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of SMC Electric Limited (the “**Company**”) hereby announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2020, together with the unaudited comparative figures for the six months ended 30 June 2019 and certain comparative figures as at the end of the last audited financial year ended 31 December 2019. The condensed consolidated statement of comprehensive income of the Group for the six months ended 30 June 2020 and the condensed consolidated statement of financial position of the Group as at 30 June 2020, 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 27 August 2020.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Notes	Six months ended 30 June 2020 HK\$'000 (Unaudited)	Six months ended 30 June 2019 HK\$'000 (Unaudited)
Revenue	6	116,620	152,143
Cost of revenue		(80,173)	(104,006)
Gross profit		36,447	48,137
Other income		2,989	3,945
Selling and distribution expenses		(1,245)	(1,849)
Administrative and other operating expenses		(13,743)	(12,089)
Listing expenses		(4,822)	(4,828)
Finance costs		(192)	(310)
Other (losses)/gains		(399)	1,491
Profit before income tax	7	19,035	34,497
Income tax expense	8	(4,381)	(6,874)
Profit for the period attributable to owners of the Company		14,654	27,623
Other comprehensive income			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange difference arising from translation of overseas operations		(281)	(341)
Total comprehensive income for the period attributable to owners of the Company		14,373	27,282
Earnings per share	10	HK Cents	HK Cents
– Basic and diluted		0.828	1.601

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

		30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
	<i>Notes</i>		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	11	4,147	3,977
Right-of-use assets		1,497	3,005
Prepayments for acquisition of property, plant and equipment		14	506
		<u>5,658</u>	<u>7,488</u>
Current assets			
Inventories		11,091	15,385
Trade and other receivables, deposits and prepayments	12	94,700	91,301
Amount due from a fellow subsidiary		—	135,458
Cash and bank balances		73,970	19,291
		<u>179,761</u>	<u>261,435</u>
Current liabilities			
Trade and other payables and accruals	13	41,125	53,693
Lease Liabilities		1,539	3,066
Amounts due to ultimate holding company	14	481	6,499
Amounts due to fellow subsidiaries	14	288	326
Tax payable		13,274	10,934
Bank borrowings	15	8,539	14,572
		<u>65,246</u>	<u>89,090</u>
Net current assets		114,515	172,345
Total assets less current liabilities		120,173	179,833
Net assets		120,173	179,833
CAPITAL AND RESERVES			
Share capital	16	20,000	—
Reserves	17	100,173	179,833
Total equity		120,173	179,833

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Share capital HK\$'000	Share premium* HK\$'000 note 17(a)	Merger reserve* HK\$'000 note 17(b)	Capital contribution* HK\$'000 note 17(c)	Translation reserve* HK\$'000 note 17(d)	Retained earnings* HK\$'000 note 17(e)	Total HK\$'000
At 1 January 2019	–	–	–	8,254	(1,164)	127,863	134,953
Profit for the period	–	–	–	–	–	27,623	27,623
Other comprehensive income for the period							
– Exchange difference arising from translation of overseas operations	–	–	–	–	(341)	–	(341)
Total comprehensive income for the period	–	–	–	–	(341)	27,623	27,282
At 30 June 2019 (Unaudited)	–	–	–	8,254	(1,505)	155,486	162,235
At 1 January 2020	–	–	–	8,254	(1,651)	173,230	179,833
Profit for the period	–	–	–	–	–	14,654	14,654
Other comprehensive income for the period							
– Exchange difference arising from translation of overseas operations	–	–	–	–	(281)	–	(281)
Total comprehensive income for the period	–	–	–	–	(281)	14,654	14,373
Arising from group reorganisation (note 16c)	380	45,572	(45,952)	–	–	–	–
Issue of shares (note 16d)	2,750	66,000	–	–	–	–	68,750
Capitalisation issue (note 16e)	16,870	(16,870)	–	–	–	–	–
Listing fee attributable to issue of shares	–	(16,007)	–	–	–	–	(16,007)
Deemed distribution (note 9)	–	–	–	–	–	(135,458)	(135,458)
Reimbursement of listing fees by shareholder (note 17(c))	–	–	–	8,682	–	–	8,682
At 30 June 2020 (Unaudited)	20,000	78,695	(45,952)	16,936	(1,932)	52,426	120,173

* 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 2020

	Six months ended 30 June 2020 HK\$'000 (Unaudited)	Six months ended 30 June 2019 HK\$'000 (Unaudited)
Cash flows from operating activities		
Profit before income tax	19,035	34,497
Total non-cash adjustments	(133,869)	501
Total working capital adjustments	124,081	(53,389)
	<hr/>	<hr/>
Cash generated from/(used in) operations	9,247	(18,391)
Income tax paid	(2,027)	(761)
	<hr/>	<hr/>
Net cash generated from/(used in) operating activities	7,220	(19,152)
	<hr/>	<hr/>
Cash flows from investing activities		
Interest received	64	118
Purchase of property, plant and equipment	(215)	(343)
	<hr/>	<hr/>
Net cash used in investing activities	(151)	(225)
	<hr/>	<hr/>
Cash flows from financing activities		
Proceeds from issue of shares	68,750	—
Listing fee attributable to issue of shares	(16,007)	—
Interest paid for bank borrowings and amount due to ultimate holding company	(156)	(240)
Proceeds from bank borrowings	26,322	32,259
Repayment of bank borrowings	(32,287)	(26,060)
Payment of principal element of lease liabilities	(1,518)	(1,493)
Payment of interest element of lease liabilities	(36)	(70)
(Decrease)/Increase in amount due to ultimate holding company	(6,018)	28,045
Reimbursement of listing fees by shareholder (note 17(c))	8,682	—
	<hr/>	<hr/>
Net cash generated from financing activities	47,732	32,441
	<hr/>	<hr/>
Net increase in cash and cash equivalents	54,801	13,064
Cash and cash equivalents at the beginning of period	19,291	6,889
Effect of foreign exchange rate change on cash and cash equivalents	(122)	(11)
	<hr/>	<hr/>
Cash and cash equivalents at the end of period	73,970	19,942
	<hr/> <hr/>	<hr/> <hr/>

1. GENERAL INFORMATION

SMC Electric Limited was incorporated on 5 December 2018 in the Cayman Islands as an exempted company with limited liability. The shares of the Company have been listed 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 P.O. Box 1350, Clifton House, 75 Fort Street, 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 “**Electrical Appliances Business**”).

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

2. REORGANISATION AND BASIS OF PRESENTATION

2.1 Reorganisation

Historically, the Electrical Appliances Business was conducted through the sub-groups of Shell Holdings Group, namely Fan Group and Multi-Media Group. Fan Group was responsible for sourcing and selling of electric fans (“**Fan Business**”), whereas the Electrical Appliances Division of Multi-Media Group was responsible for manufacturing and selling of other electrical appliances including work lights, vacuum cleaners as well as hearing aid devices (“**Other Electrical Appliances Business**”).

Fan Group comprised of Shell Electric Mfg. (H.K.) Company Limited (“**Shell HK**”) and its wholly-owned subsidiaries including Shell Electric Mfg. (China) Company Limited (“**Shell China**”), Quanta Global Limited (“**Quanta Global**”), Speed Power Limited (“**Speed Power**”) and certain dormant companies. Multi-Media Group comprised of SMC Multi-Media Products Company Limited (“**SMC Multi-Media**”) and its wholly-owned subsidiaries including SMC Multi-Media Trading Company Limited (“**MM Trading**”), SMC Multi-Media (H.K.) Limited (“**MMHK**”) and 佛山市順德區蜆華多媒體製品有限公司 (Shunde SMC Multi-Media Products Company Limited*) (“**MMSD**”).

For the purpose of preparing for the listing of the Company’s shares on the Main Board of the Stock Exchange, the Group underwent a reorganisation (the “**Reorganisation**”) to streamline the group structure.

2. REORGANISATION AND BASIS OF PRESENTATION

(Continued)

2.1 Reorganisation (Continued)

As a result of the Reorganisation, the Fan Business and the Other Electrical Appliances Business are held directly by SMC Electric Holdings Limited (“**SMC Electric Holdings**”) which was set up in March 2016. The major effects of the Reorganisation to the Fan Business are that Shell HK is no longer the holding company of the Fan Business and that those dormant companies are not included in the Group (“**New Fan Group**”). After the Reorganisation, New Fan Group comprises of Shell China, Quanta Global and Speed Power. As to the Other Electrical Appliances Business, the major effect is that it is no longer conducted by Multi-Media Group but is carried on by SMC Electric (HK) Limited (“**SMC Electric HK**”) and its wholly-owned subsidiary, 廣東蜆壳家電有限公司 (SMC Electric (China) Limited) (“**SMC Electric China**”).

The Reorganisation comprises the following principal steps:

1. SMC Electric Holdings was incorporated in the British Virgin Islands (the “**BVI**”) on 23 March 2016 and is wholly-owned by Shell Holdings.
2. SMC Electric HK was incorporated in Hong Kong on 26 February 2016. One subscriber share of SMC Electric HK which was wholly-owned by the initial subscriber was subsequently transferred to SMC Electric Holdings at HK\$1.00 on 10 May 2016.
3. SMC Electric China was established in the People’s Republic of China (the “**PRC**”) on 16 November 2017 which is wholly-owned by SMC Electric HK.
4. MM Trading and a customer of the Other Electrical Appliances Business entered into a contract manufacturing agreement (the “**Manufacturer Agreement**”) whereby MM Trading would manufacture products for the customer in accordance with the terms of the Manufacturer Agreement. By a comprehensive amendment to the Manufacturer Agreement entered into by and among the customer, MM Trading and SMC Electric HK in January 2018, MM Trading would pass all purchase orders to SMC Electric HK and SMC Electric HK would undertake all obligations from MM Trading with effect from 1 January 2018.

2. REORGANISATION AND BASIS OF PRESENTATION

(Continued)

2.1 Reorganisation (Continued)

On 8 March 2017, MMHK and another customer of the Other Electrical Appliances Business, entered into a contract manufacturing agreement (the “**CMA**”) whereby MMHK would manufacture products for the customer in accordance with its terms. By an assignment agreement and novation of purchase orders dated 18 December 2017 entered into by and among the customer, SMC Electric HK and MMHK, the CMA was assigned to SMC Electric HK and SMC Electric HK would assume MMHK’s obligations in the CMA with effect from 1 January 2018.

5. On 2 January 2018, Shell HK transferred 100 shares, representing the entire issued shares of Shell China to SMC Electric Holdings for a consideration of United States Dollars (“**US\$**”) 1,000.
6. On 2 January 2018, Shell HK transferred 1 share, representing the entire issued share of Quanta Global to SMC Electric Holdings for a consideration of US\$1.00.
7. On 12 January 2018, Shell HK transferred 2 shares, representing the entire issued shares of Speed Power to SMC Electric Holdings for a consideration of HK\$2.00.
8. SMC-台山華夏電器有限公司 (SMC-Taishan Huaxia Electrical Appliances Company Limited*) (“**Huaxia**”) is an equity joint venture established in the PRC and is an investee of the Group in which Quanta Global held 19% equity interest. By a sale and purchase agreement dated 28 October 2018 entered into by Quanta Global and Mr. Chan Lai Shun (陳禮舜) (“**Mr. Chan**”), Quanta Global agreed to sell and Mr. Chan agreed to purchase 19% equity interest in Huaxia at a consideration of US\$1.00. The transaction was completed on 20 November 2018.
9. On 6 December 2018, MMSD and SMC Electric China entered into an agreement pursuant to which MMSD agreed to transfer certain machinery and equipment and inventories (the “**Assets Transfer**”) for manufacturing of electric tools to SMC Electric China. The total consideration (include value-added tax (“**VAT**”)) for the transfer of machinery and equipment is RMB4,361,000. The consideration (include VAT) for the transfer of inventories is RMB6,151,000. The Assets Transfer was completed on 31 December 2018.

2. REORGANISATION AND BASIS OF PRESENTATION

(Continued)

2.1 Reorganisation (Continued)

10. On 5 December 2018, the Company was incorporated in the Cayman Islands. The initial authorised share capital was HK\$380,000 divided into 38,000,000 shares of par value HK\$0.01 each. On the same date, the Company allotted and issued one share at par to Reid Services Limited, which was subsequently transferred to Mr. Yung Kwok Kee Billy (“**Mr. Yung**”). The one share was subsequently transferred to Shell Holdings on 2 January 2019. Mr. Yung is the ultimate controlling shareholder of Shell Holdings.

11. On 7 February 2020, a share swap agreement (the “**Share Swap Agreement**”) was entered into between Shell Holdings as vendor and the Company as purchaser pursuant to which Shell Holdings agrees to sell, and the Company agrees to purchase one share, being the entire issued share capital of SMC Electric Holdings from Shell Holdings. The consideration for the acquisition of the entire issued share capital in SMC Electric Holdings was satisfied by the Company allotting and issuing 37,999,999 shares, credited as fully paid up, to Shell Holdings (the “**Share Swap**”).

2.2 Basis of presentation

Upon completion of the Share Swap as mentioned in note 2.1, paragraph 11 above, the results of the subsidiaries are consolidated into the financial statements of the Company. The Group is regarded as a continuing entity resulting from the Share Swap since the insertion of holding company at the top of SMC Electric Holdings has not resulted in any change in economic substance. Accordingly, the financial statements have been prepared using merger basis of accounting as if the Share Swap had occurred at the beginning of the financial periods. The consolidated statement of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the reporting periods have included the results, changes in equity and cash flows of the companies now comprising the Group from the earliest date presented or since their respective dates of incorporation, whichever was shorter, as if the current group structure had been in existence throughout those periods. The consolidated statement of financial position of the Group as of 30 June 2020 and 31 December 2019 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence at those dates. No adjustment is made to reflect fair values, or recognise any new assets or liabilities as a result of the Share Swap.

2. REORGANISATION AND BASIS OF PRESENTATION

(Continued)

2.2 Basis of presentation (Continued)

The financial statements of the Other Electrical Appliances Business have been prepared on a carve-out basis from the consolidated financial statement of Shell Holdings for the purpose of presenting the financial position and financial performance and cash flows of the Other Electrical Appliances Business.

Historically, the Other Electrical Appliances Business was conducted by the Electrical Appliances Division of Multi-Media Group, which is not a separate legal entity. After the Reorganisation, the Other Electrical Appliances Business is carried on by SMC Electric HK and its wholly-owned subsidiary, SMC Electric China. Multi-Media Group, SMC Electric HK and SMC Electric China are owned and controlled by Shell Holdings. Accordingly, for the purpose of presenting the financial statements of the Other Electrical Appliances Business, the Electrical Appliances Division is carved out from the Multi-Media Group and combined with SMC Electric HK and its wholly-owned subsidiary, SMC Electric China with reference to the principles of merger accounting under Hong Kong Accounting Guideline 5 Merger Accounting for Common Control Combinations (“**AG 5**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

The consolidated statement of comprehensive income and the consolidated statement of cash flows for the financial periods include the results and cash flows of the Electrical Appliances Division of Multi-Media Group and the results and cash flows of SMC Electric HK and its wholly-owned subsidiary, SMC Electric China for the financial periods. The consolidated statement of financial position as at 30 June 2020 and 31 December 2019 have included the assets and liabilities of the Electrical Appliances Division of Multi-Media Group and the assets and liabilities of SMC Electric HK and its wholly owned subsidiary, SMC Electric China at the respective dates. The items on the financial statements have been combined using their existing book values from Shell Holdings’s perspective.

3. 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 HKICPA and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

Pursuant to the Reorganisation as detailed in the section headed “History, Reorganisation and Corporate Structure” in the prospectus of the Company dated 19 May 2020 (the “**Prospectus**”), the Company became the holding company of the companies now comprising the Group on 7 February 2020.

The unaudited condensed consolidated interim financial information has been prepared in accordance with the same accounting policies and methods of computation as adopted by the Group in the accountants’ report included in Appendix I to the Prospectus (the “**Accountants’ Report**”) except for the adoption of new accounting policies as a result of completion of the Reorganisation as set out below and the adoption of new or amended HKFRSs as mentioned in note 4.

The financial information for the six months ended 30 June 2019 has been prepared on a carve-out basis from the consolidated financial statements of Shell Holdings for the purposes of presenting the financial position and financial performance and cash flows of the Electric Appliance Business by adopting the principles of merger accounting under Hong Kong Accounting Guideline 5 Merger Accounting for Common Control Combinations issued by the HKICPA upon completion of the Reorganisation, the results of the subsidiaries are consolidated into the financial statements of the Company.

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 three years ended 31 December 2017, 2018 and 2019 as set out in the Accountants’ Report.

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.

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 Accountants’ Report.

4. 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 2020.

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

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.

5. SEGMENT INFORMATION

5.1 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.

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.

5. SEGMENT INFORMATION (Continued)

5.1 Operating segment information (Continued)

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

	Non-SMC segment HK\$'000	SMC segment HK\$'000	Total HK\$'000
Six months ended 30 June 2020			
(Unaudited)			
Reportable segment revenue	<u>97,700</u>	<u>18,920</u>	<u>116,620</u>
Reportable segment profit	<u>30,328</u>	<u>6,119</u>	<u>36,447</u>
Corporate and unallocated income [^]			2,989
Corporate and unallocated expenses [^]			<u>(20,401)</u>
Profit before income tax			<u><u>19,035</u></u>
	Non-SMC segment HK\$'000	SMC segment HK\$'000	Total HK\$'000
Six months ended 30 June 2019			
(Unaudited)			
Reportable segment revenue	<u>124,863</u>	<u>27,280</u>	<u>152,143</u>
Reportable segment profit	<u>39,960</u>	<u>8,177</u>	<u>48,137</u>
Corporate and unallocated income [^]			3,945
Corporate and unallocated expenses [^]			<u>(17,585)</u>
Profit before income tax			<u><u>34,497</u></u>

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

6. REVENUE

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

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Sales of electric fans and electric tools:		
– Fans	53,585	75,837
– Vacuum cleaners	43,147	43,332
– Work lights	17,432	30,853
– Others	2,456	2,121
	116,620	152,143

The Group's sales contracts generally have an original expected duration of one year or less and accordingly, the Group has applied the practical expedient in HKFRS 15 not to disclose the transaction price allocated to the remaining performance obligations for the contracts existed at the end of the reporting period.

7. PROFIT BEFORE INCOME TAX

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit before income tax is arrived at after charging/(crediting):		
Cost of inventories recognised as expense		
– Carrying amount of inventories consumed	80,205	105,192
– Reversal of allowance for inventories	(32)	(1,186)
	80,173	104,006
Depreciation of property, plant and equipment	465	332
Depreciation of right-of use assets	1,499	1,511
(Reversal of impairment loss) /Impairment loss on financial assets	(120)	10
Employee benefit expenses (including Directors' emoluments):		
– Salaries, wages and other benefits	11,405	13,810
– Contribution to defined contribution retirement plans	437	856
	11,842	14,666

8. INCOME TAX EXPENSE

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

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax		
– Hong Kong Profits Tax		
– tax for the period	3,477	5,126
– over provision in respect of prior period	–	(165)
	3,477	4,961
– Other regions of the PRC		
– Enterprise Income Tax (“EIT”) tax for the period	904	1,913
Deferred tax	–	–
Income tax expense	4,381	6,874

Hong Kong Profit Tax is calculated at 16.5% (2019: two-tiered profits tax rates regime, the first HK\$2 million of profits of qualifying entities will be taxed at 8.25% whereas profits above HK\$2 million will be taxed at 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% (2019: 25%) on the estimated assessable income for the period.

9. DIVIDEND

The Board does not declare the payment of any interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil)

In February 2020, the Group effected a deemed distribution of approximately HK\$135,458,000 to settle the current account due from SMC Multi-Media.

10. EARNINGS PER SHARE

(a) Basic earnings per share

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

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Earnings:		
Profit for the period attributable to owners of the Company	14,654	27,623
	<u><u>14,654</u></u>	<u><u>27,623</u></u>
	Six months ended 30 June	
	2020	2019
	Number of	Number of
	shares	shares
	'000	'000
	(Unaudited)	(Unaudited)
Number of shares:		
Weighted average number of ordinary shares in issue during the period	1,768,819	1,725,000
	<u><u>1,768,819</u></u>	<u><u>1,725,000</u></u>
	Six months ended 30 June	
	2020	2019
	In HK cents	In HK cents
	(Unaudited)	(Unaudited)
Basic earnings per share	0.828	1.601
	<u><u>0.828</u></u>	<u><u>1.601</u></u>

Note: The weighted average number of ordinary shares for the purpose of basic earnings per share represented the weighted average number of ordinary shares in issue during the current and last periods, after giving effect of the capitalisation issue, as if the capitalisation issue had occurred on 1 January 2019.

(b) Diluted earnings per share

The diluted earnings per share is the equal to the basic earnings per share as there were no potential dilutive ordinary shares in issue during the periods.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the Group acquired property, plant and equipment of approximately HK\$706,000 (six months ended 30 June 2019: HK\$579,000). Such additions mainly comprised of moulds, tools and machineries of HK\$706,000 (six months ended 30 June 2019: HK\$225,000)

12. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Trade receivables	72,874	61,761
Less: Provision for impairment	(271)	(391)
	<hr/>	<hr/>
Trade receivables, net	72,603	61,370
Other receivables	3,080	668
Prepaid listing expenses	–	4,637
Other prepayments and deposits	19,017	24,626
	<hr/>	<hr/>
	94,700	91,301
	<hr/> <hr/>	<hr/> <hr/>

Included in the amount as at 30 June 2020 and 31 December 2019 were prepayment of HK\$15,940,000 and HK\$20,387,000 to the associate for purchases of goods.

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 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
0 to 30 days	14,724	16,977
31 to 60 days	15,474	11,419
61 to 90 days	23,792	10,666
Over 90 days	18,884	22,699
	<hr/>	<hr/>
	72,874	61,761
	<hr/> <hr/>	<hr/> <hr/>

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

13. TRADE AND OTHER PAYABLES AND ACCRUALS

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Trade payables	21,806	22,893
Accruals and other payables	17,185	27,785
Contract liabilities	2,134	3,015
	41,125	53,693

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 each reporting period is as follows:

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
0 to 30 days	11,698	14,205
31 to 60 days	6,915	3,517
61 to 90 days	1,660	3,195
Over 90 days	1,533	1,976
	21,806	22,893

14. AMOUNTS DUE TO ULTIMATE HOLDING COMPANY AND FELLOW SUBSIDIARIES

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

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

15. BANK BORROWINGS

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Current liabilities		
Bank loan subject to repayment on demand clause and due for repayment within one year	<u>8,539</u>	<u>14,572</u>
	<u>8,539</u>	<u>14,572</u>

The Group's bank borrowings as at the end of 30 June 2020 is denominated in US\$, and 31 December 2019 is denominated in US\$ and HK\$ and both period are interest-bearing at floating rates. The annual interest rates of the Group's bank borrowings ranged at 1.53% for bank borrowing as at 30 June 2020 and from 3.28% to 4.18% for bank borrowings as at 31 December 2019. These bank borrowings are scheduled for repayment within one year after the end of the reporting period.

During the year ended 31 December 2019, the Group signed new banking facilities. The Group's new banking facilities and the Group's bank borrowings as at 31 December 2019 which were drawn down under the new banking facilities were secured by corporate guarantee executed by Shell Holdings and personal guarantee executed by Mr. Yung. Upon the Listing on 2 June 2020, the guarantee provided by Shell Holdings and Mr. Yung were released and replaced by the guarantee provided by the Company.

16. SHARE CAPITAL

Details of the movements in the authorised and issued and fully paid share capital of the Company during the period from 5 December 2018 (date of incorporation) to 31 December 2019 and the six months ended 30 June 2020 are summarised as follows:

Ordinary shares	Par value HK\$	Number of ordinary shares	Amount HK\$'000
Authorised:			
Upon incorporation and 31 December 2019 (Audited) (note a)	0.01	38,000,000	380
Increase in authorized share capital (note b)	0.01	4,962,000,000	49,620
At 30 June 2020 (Unaudited)	0.01	5,000,000,000	50,000
Issued and fully paid:			
Issue of share upon incorporation and 31 December 2019 (Audited) (note a)	0.01	1	—
Issue of shares under Share Swap Agreement (note c)	0.01	37,999,999	380
Issue of shares on listing (note d)	0.01	275,000,000	2,750
Issue of shares by Capitalisation of share premium (note e)	0.01	1,687,000,000	16,870
At 30 June 2020 (Unaudited)	0.01	2,000,000,000	20,000

Notes:

- (a) The Company was incorporated on 5 December 2018 with initial authorised share capital of HK\$380,000 divided into 38,000,000 shares of par value HK\$0.01 each. On the same date, the Company allotted and issued one share at par to Reid Services Limited, which was subsequently transferred to Mr. Yung. The one share was subsequently transferred to Shell Holdings on 2 January 2019.
- (b) Pursuant to the written resolution passed by the then shareholders of the Company on 7 February 2020, the authorised share capital of the Company was increased from HK\$380,000 divided into to 38,000,000 ordinary shares to HK\$50,000,000 divided into 5,000,000,000 ordinary shares by the creation of an additional 4,962,000,000 ordinary shares of HK\$0.01 each.
- (c) Pursuant to the Share Swap Agreement as mentioned in note 2.1, the Company allotted and issued 37,999,999 shares to the then shareholders of SMC Electric Holdings as consideration to acquire the entire interest of SMC Electric Holdings. The share premium arising of HK\$45,572,000 represented the difference between the investment cost of SMC Electric Holdings of approximately HK\$45,952,000 and the par value of the shares issued by the Company totalling HK\$380,000.

16. SHARE CAPITAL (Continued)

Notes: (Continued)

- (d) On the Listing Date, the Company issued 275,000,000 new shares at HK\$0.25 per share comprising 125,000,000 new shares by way of placing and 150,000,000 new shares by way of public offer.
- (e) Upon completion of issuing the new shares as mentioned in note (d) above, the Company issued 1,687,000,000 ordinary shares of HK\$0.01 each by the way of capitalising an amount of HK\$16,870,000 from the share premium account of the Company.

17. RESERVES

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

The nature of the reserves is as follows:

(a) Share premium

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

(b) Merger reserve

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

(c) Capital contribution

During the six months ended 30 June 2020, Shell Holdings agreed to reimburse part of the fees incurred for the listing expenses amounted to HK\$8,682,000. Such reimbursement received by the Group is recognised as a capital contribution in equity.

(d) Translation reserve

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

(e) Retained earnings

Retained earnings are the accumulated net gains and losses recognised in profit or loss.

18. CAPITAL COMMITMENTS

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Commitments for acquisition of property, plant and equipment		
– Contracted for but not provided	3,326	–

19. RELATED PARTY TRANSACTIONS

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

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

Name	Related party relationship	Type of transaction	Transaction amount	
			Six months ended 30 June 2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Shell Holdings	Ultimate holding company	Building management fee charged by the related party for office premises, warehouse and carparks space	187	187
MMSD	Fellow subsidiary	Rental fee charged by the related party for leasing of staff quarter	75	50
MMSD	Fellow subsidiary	Building management fee charged by related party for leasing of factory	57	60
PFC Device (HK) Limited	Fellow subsidiary	Purchase of raw materials and goods from the related party	67	74
廣東蜆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	13,695	16,037

* for identification purpose only

Note:

The Group entered into lease agreements with Shell Holdings on 11 January 2019 for leasing of office premises, warehouse and carpark space located in Hong Kong which are effective from 1 January 2019 and last for a period of 24 months. The monthly rental payables under the lease agreements are approximately HK\$211,000.

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 following the requirements of HKFRS 16. For the six months ended 30 June 2020, total undiscounted rental payments under these lease agreements were approximately HK\$1,554,000 (six months ended 30 June 2019: HK\$1,568,000).

The above transactions were conducted on mutually agreed terms.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

On 2 June 2020, the shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited.

During the interim period just ended the dramatic impact caused by the widespread of COVID-19, and its prolonged disruption to global business and economic activities has had a negative effect on the Group's performance particularly in terms of sales towards the later part of this interim period compared to the same period in the prior year. Under the Group's sourcing and selling of electric fans business, sales revenue in the Middle East, Asia and Australia declined in the first half of 2020; only sales to Africa and Hong Kong maintained mild volume growth. Sales revenue of the manufacturing and selling of electric tools business also declined in the first half of 2020, mainly due to the decline in sales of lights and cordless fans. Overall, the Group was able to maintain a stable gross profit margin as a result of strict costs control and process.

We hope that the epidemic would ease off in the coming months, so that electric fans sales could gradually recover in the second half. The Group believes sales may improve in the electric tools business in the second half of 2020 as COVID-19 is mostly under control within China and much effort will be made to catch up, fulfil and ship orders which were behind schedule from the first half of 2020.

While there is no concrete sign of the COVID-19 global pandemic being contained in the year remaining, the Group expects that overall sales may not improve rapidly in light of such sluggish economic condition. Meanwhile, the Group intends to further improve risk management and operational efficiencies of the business; management will proactively pursue various avenues to further reduce risk. For example, investment in new leads generation and accounts development as well as incubate new opportunities in emerging markets. Currently, the electric tools business unit has signed non-disclosure agreements and provided preliminary pricing proposals to two, sizable, well-known customers.

FINANCIAL REVIEW

Revenue and Operating Results

Revenue from the Group's operations for the six months ended 30 June 2020 amounted to HK\$116.6 million, representing a decrease of HK\$35.5 million or 23.3% as compared to HK\$152.1 million for the corresponding period in 2019. 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 2020 amounted to HK\$36.4 million, representing a decrease of HK\$11.7 million as compared to HK\$48.1 million for the corresponding period in 2019. The gross profit margin for the six months ended 30 June 2020 was 31.3%, representing a decrease of 0.3 percentage points compared to 31.6% for the corresponding period in 2019. The Group's gross profit margin remained stable was mainly due to the strict and effective cost controls and processes.

Profit attributable to the owners of the Company for the six months ended 30 June 2020 was HK\$14.6 million, representing a decrease of HK\$13.0 million or 47.1% as compared to HK\$27.6 million for the corresponding period in 2019. 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 2020, the Group's total cash and bank balances amounted to approximately HK\$74.0 million (31 December 2019: HK\$19.3 million) which is mainly denominated in HK\$.

As at 30 June 2020, the current ratio of the Group was approximately 2.76 times (31 December 2019: approximately 2.93 times).

The capital of the Group comprises only ordinary shares. As at 30 June 2020, 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 Renminbi ("RMB") with certain of their business transactions being settled in foreign currencies. The Group is thus exposed to currency risk arising from fluctuation on exchange rates of foreign currencies, primarily US\$ against the functional currencies of the relevant operating entities or division. 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 2020 was nil (31 December 2019: Nil) as the Group had net cash balances at the respective period end. As at 30 June 2020, the Group's total bank borrowings were approximately HK\$8.5 million (31 December 2019: HK\$14.6 million). All bank borrowings were denominated in US\$ and repayable within a year. The interest coverage ratio of the Group for the six months ended 30 June 2020, calculated by dividing profit before interest and tax expenses with interest expenses for the period, stood at 100.1 times (30 June 2019: 112.3 times).

Capital Expenditure and Capital Commitments

The capital expenditures of the Group amounted to approximately HK\$215,000 for the six months ended 30 June 2020 (30 June 2019: HK\$343,000) of purchases of moulds, tools and equipment.

As at 30 June 2020, the Group had total capital commitments of approximately HK\$3.33 million (31 December 2019: Nil) for the acquisition of property, plant and equipment.

Contingent Liabilities

The Directors confirm that there were no material contingent liabilities as at 30 June 2020 (31 December 2019: HK\$87,000,000). The Group is currently not involved in any material legal proceedings, nor are the Directors aware of any pending or potential material legal proceedings involving the Group.

Segment Information

Segment information for the Group is present as disclosed in note 5 to the unaudited condensed consolidated financial information.

Significant Investments/Material Acquisitions and Disposal

During the period from the Listing Date to 30 June 2020, the Group had not made any significant investments or material acquisitions and disposal of subsidiaries.

Employees and Remuneration Policy

As at 30 June 2020, the total number of employees of the Group is 160 (31 December 2019: 163), which are stationed in the PRC and Hong Kong. The Group regularly reviews remuneration and benefits to its employees according to the relevant market practice and individual performance of the employees. In addition to basic salary, employees are entitled to other benefits including social insurance, employee provident fund schemes and discretionary incentive.

PLEDGE ON ASSETS

As at 30 June 2020, the Group did not have any assets (31 December 2019: Nil) which were pledged as security for the Group's borrowings.

USE OF PROCEEDS FROM THE SHARE OFFER

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

The Group had not utilized the net proceeds as at 30 June 2020. The unused net proceeds have been placed as interest bearing deposits with licensed bank in Hong Kong. Set out below is a summary of the utilisation of the net proceeds:

	Allocation of net proceeds <i>HK\$ million</i>	Actual utilised amount as at 30 June 2020 <i>HK\$ million</i>	Unutilised amount as at 30 June 2020 <i>HK\$ million</i>
Improvement of efficiencies	6.3	–	6.3
Expand manufacturing capabilities	25.9	–	25.9
Devoting resources on new products	10.3	–	10.3
	<u>42.5</u>	<u>–</u>	<u>42.5</u>

DISCLOSURE OF INTERESTS

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

As at 30 June 2020, the interests or short positions of the Directors and chief executives in the shares, underlying shares and debentures of the Company, its subsidiaries and its associated corporations (within the meaning of the Part XV of Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules were as follows:

I. Interests in issued shares

Name of Director	Capacity/Nature of interest	Number of Shares held/ interested in the Company	Percentage of shareholding as at 30 June 2020
Mr. Yung	Interest in a controlled corporation (Note)	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 80.4% interest in Shell Holdings. Accordingly, Mr. Yung is deemed to be interested in the Shares held by Shell Holdings by virtue of the SFO.

II. Interest in the shares of associated corporation

Name of Director/ chief executive	Name of associated corporation	Capacity/Nature of interest	Number of Shares in associated corporation	Percentage of shareholding in the associated corporation
Mr. Yung	Shell Holdings	Interest in a controlled corporation (Note)	421,121,126	80.4%

Note:

Shell Holdings is owned as to 80.4% 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.

III. Interests in underlying shares

As at 30 June 2020, 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 2020, the Company had been notified of the following substantial shareholders' interests, being 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the Directors.

<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 2020</u>
Shell Holdings	Beneficial owner	1,500,000,000 (Note 1)	Long	75.00%
Red Dynasty	Interest in a controlled corporation	1,500,000,000 (Note 1)	Long	75.00%
Mr. Yung	Interest in a controlled corporation	1,500,000,000 (Note 1)	Long	75.00%
Mrs. Yung	Interest of spouse	1,500,000,000 (Note 2)	Long	75.00%

Notes:

1. Mr. Yung holds the entire issued share capital of Red Dynasty, which, in turn, holds 80.4% 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.

Save as disclosed above, as at 30 June 2020 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 (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 period from the Listing Date to 30 June 2020, 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 (the “**CG Code**”) as set out in Appendix 14 to the Listing Rules throughout the period from the Listing Date to 30 June 2020.

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 period from the Listing Date to 30 June 2020. 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 2020, including the accounting principles and practices adopted by the Group, and discussed financial reporting, auditing and internal controls matters.

CHANGE OF DIRECTORS' INFORMATION

On 21 July, 2020, Mr. LEUNG Man Chiu, Lawrence resigned as a non-executive director of World Super Holdings Limited, whose shares are listed on the GEM of the Stock Exchange (stock code: 8612).

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

Hong Kong, 27 August 2020

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