



SMC ELECTRIC LIMITED
蜆壳電業有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2381

2026
INTERIM REPORT

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Leung Chun Wah (*Chief Executive Officer*)
Mr. Tang Che Yin
Mr. Chow Kai Chiu, David

Non-executive Directors

Mr. Yung Kwok Kee, Billy (*Chairman*)
Mdm. Li Pik Mui, Cindy

Independent Non-executive Directors

Mr. Leung Man Chiu, Lawrence
Mr. Poon Chak Sang, Plato
Mr. Ho Chi Sing, Spencer

AUDIT COMMITTEE

Mr. Leung Man Chiu, Lawrence (*Chairman*)
Mr. Yung Kwok Kee, Billy
Mr. Poon Chak Sang, Plato

REMUNERATION COMMITTEE

Mr. Poon Chak Sang, Plato (*Chairman*)
Mr. Yung Kwok Kee, Billy
Mr. Leung Man Chiu, Lawrence

NOMINATION COMMITTEE

Mr. Yung Kwok Kee, Billy (*Chairman*)
Mr. Poon Chak Sang, Plato
Mr. Leung Man Chiu, Lawrence
Mdm. Li Pik Mui, Cindy
Mr. Ho Chi Sing, Spencer

PRINCIPAL BANKERS

The Hong Kong and Shanghai Banking Corporation
Limited
Hang Seng Bank Limited

COMPANY SECRETARY

Ms. Lee Ka Man *ACG, HKACG*

REGISTERED OFFICE

Windward 3, Regatta Office Park, PO Box 1350,
Grand Cayman KY1-1108, Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

1/F, Shell Industrial Building,
12 Lee Chung Street,
Chai Wan, Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian Trust (Cayman) Limited
Windward 3 Regatta Office Park, PO Box 1350,
Grand Cayman KY1-1108, Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Boardroom Share Registrars (HK) Limited
2103B, 21/F, 148 Electric Road, North Point,
Hong Kong

AUTHORISED REPRESENTATIVES

Mr. Chow Kai Chiu, David
Mdm. Li Pik Mui, Cindy

AUDITOR

BDO Limited
Certified Public Accountants
Registered Public Interest Entity Auditor

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 2026, together with the unaudited comparative figures for the six months ended 30 June 2025 and certain comparative figures as at the end of the last audited financial year ended 31 December 2025. The condensed consolidated statement of comprehensive income of the Group for the six months ended 30 June 2026 and the condensed consolidated statement of financial position of the Group as at 30 June 2026, 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 31 August 2026.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2026

	Notes	Six months ended 30 June 2026 HK\$'000 (Unaudited)	Six months ended 30 June 2025 HK\$'000 (Unaudited)
Revenue	5	95,839	129,981
Cost of revenue		(80,651)	(97,252)
Gross profit		15,188	32,729
Other income		2,513	5,029
Selling and distribution expenses		(709)	(855)
Administrative and other operating expenses		(19,902)	(22,933)
Other (losses)/gains		(332)	1,531
Finance costs		(83)	(181)
(Loss)/Profit before income tax	6	(3,325)	15,320
Income tax expense	7	(10)	(2,424)
(Loss)/Profit for the period attributable to owners of the Company		(3,335)	12,896
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		982	29
Total comprehensive income for the period attributable to owners of the Company		(2,353)	12,925
		HK Cents	HK Cents
(Loss)/Earnings per share	9		
– Basic and diluted		(0.167)	0.645

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2026

		30 June 2026 HK\$'000 (Unaudited)	31 December 2025 HK\$'000 (Audited)
	Notes		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	10	10,545	6,391
Right-of-use assets		1,774	3,512
Prepayments for acquisition of property, plant and equipment		7,027	9,481
Deferred tax assets		327	327
		<u>19,673</u>	<u>19,711</u>
Current assets			
Inventories		33,307	24,166
Trade and other receivables, deposits and prepayments	11	66,923	70,353
Tax prepaid		988	988
Cash and bank balances		52,495	70,953
		<u>153,713</u>	<u>166,460</u>
Current liabilities			
Trade and other payables and accruals	12	47,556	55,232
Lease liabilities		1,850	3,611
Amounts due to fellow subsidiaries	13	985	1,318
Tax payable		—	4
		<u>50,391</u>	<u>60,165</u>
Net current assets		<u>103,322</u>	<u>106,295</u>
Total assets less current liabilities		<u>122,995</u>	<u>126,006</u>
Non-current liabilities			
Deferred tax liabilities		—	658
Net assets		<u>122,995</u>	<u>125,348</u>
CAPITAL AND RESERVES			
Share capital	14	20,000	20,000
Reserves	15	102,995	105,348
Total equity		<u>122,995</u>	<u>125,348</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2026

	Share capital HK\$'000	Share premium* HK\$'000 note 15(a)	Merger reserve* HK\$'000 note 15(b)	Capital contribution* HK\$'000 note 15(c)	Translation reserve* HK\$'000 note 15(d)	Dividend reserve* HK\$'000	Statutory reserve* HK\$'000 note 15(e)	Retained earnings* HK\$'000 note 15(f)	Total HK\$'000
At 1 January 2025	20,000	78,695	(45,952)	16,936	(2,045)	10,000	2,688	55,259	135,581
Profit for the period	—	—	—	—	—	—	—	12,896	12,896
Other comprehensive income for the period									
– Exchange difference arising from translation of operations outside Hong Kong	—	—	—	—	29	—	—	—	29
Total comprehensive income for the period	—	—	—	—	29	—	—	12,896	12,925
Transfer to statutory reserve	—	—	—	—	—	—	326	(326)	—
At 30 June 2025 (Unaudited)	<u>20,000</u>	<u>78,695</u>	<u>(45,952)</u>	<u>16,936</u>	<u>(2,016)</u>	<u>10,000</u>	<u>3,014</u>	<u>67,829</u>	<u>148,506</u>
At 1 January 2026	20,000	78,695	(45,952)	16,936	(1,756)	10,000	2,957	44,468	125,348
Loss for the period	—	—	—	—	—	—	—	(3,335)	(3,335)
Other comprehensive income for the period									
– Exchange difference arising from translation of operations outside Hong Kong	—	—	—	—	982	—	—	—	982
Total comprehensive income for the period	—	—	—	—	982	—	—	(3,335)	(2,353)
At 30 June 2026 (Unaudited)	<u>20,000</u>	<u>78,695</u>	<u>(45,952)</u>	<u>16,936</u>	<u>(774)</u>	<u>10,000</u>	<u>2,957</u>	<u>41,133</u>	<u>122,995</u>

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2026

	Six months ended 30 June 2026 HK\$'000 (Unaudited)	Six months ended 30 June 2025 HK\$'000 (Unaudited)
Cash flows from operating activities		
(Loss)/Profit before income tax	(3,325)	15,320
Total non-cash adjustments	2,627	2,239
Total working capital adjustments	(13,878)	(18,642)
Cash used in operations	(14,576)	(1,083)
Income tax paid	(672)	(1,146)
Net cash used in operating activities	(15,248)	(2,229)
Cash flows from investing activities		
Interest received	679	1,205
Purchase of property, plant and equipment	(2,607)	(184)
Net cash (used in)/generated from investing activities	(1,928)	1,021
Cash flows from financing activities		
Payment of principal element of lease liabilities	(1,791)	(1,670)
Payment of interest element of lease liabilities	(83)	(181)
Net cash used in financing activities	(1,874)	(1,851)
Net decrease in cash and cash equivalents	(19,050)	(3,059)
Cash and cash equivalents at the beginning of period	70,953	90,431
Effect of foreign exchange rate change on cash and cash equivalents	592	(455)
Cash and cash equivalents at the end of period	52,495	86,917

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2026

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 to be Shell Electric Holdings Limited (“**Shell Holdings**”), a company incorporated in Bermuda.

2. BASIS OF PREPARATION

This unaudited condensed consolidated interim financial information has 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 does not include all the information and disclosures required for the preparation of the annual financial statements in accordance with HKFRS Accounting Standards, which collective term includes individual Hong Kong Financial Reporting Standards (“**HKFRS**”), Hong Kong Accounting Standards (“**HKAS**”) and Interpretations, as issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance. Therefore, it should be read in conjunction with the consolidated financial statements for the year ended 31 December 2025 (the “**Annual Report 2025**”).

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 has been prepared in accordance with the same accounting policies and methods of computation as adopted by the Group in the Annual Report 2025 except for the adoption of new and amendments to HKFRS Accounting Standards 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 2025.

3. ADOPTION OF NEW AND AMENDMENTS TO HKFRS ACCOUNTING STANDARDS

3.1 Adoption of amendments to HKFRS Accounting Standards – effective on 1 January 2026

During the current period, the Group has applied for the first time the following amendments to HKFRS Accounting Standards, which are relevant to and effective for the Group’s unaudited condensed consolidated financial statements for the period beginning on 1 January 2026.

Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments
Amendments to HKFRS Accounting Standards	Annual Improvements to HKFRS Accounting Standards – Volume 11
Amendments to Illustrative Examples on HKFRS 7, HKFRS 18, HKAS 1, HKAS 8, HKAS 36 and HKAS 37	Disclosures about Uncertainties in the Financial Statements (amendments)

3. ADOPTION OF NEW AND AMENDMENTS TO HKFRS ACCOUNTING STANDARDS (Continued)

3.1 Adoption of amendments to HKFRS Accounting Standards – effective on 1 January 2026 (Continued)

Except for mentioned below, the directors consider that the adoption of above amendments to HKFRS Accounting Standards does not have any significant impact on the Group's financial result and financial position.

Amendments to HKFRS 9 and HKFRS 7 – Amendments to the Classification and Measurement of Financial Instruments

Amendments to HKFRS 9 and HKFRS 7 clarify the date on which a financial asset or financial liability is derecognised and introduce an accounting policy option to derecognise a financial liability that is settled through an electronic payment system before the settlement date if specified criteria are met. The amendments clarify how to assess the contractual cash flow characteristics of financial assets with environmental, social and governance and other similar contingent features. Moreover, the amendments clarify the requirements for classifying financial assets with non-recourse features and contractually linked instruments. The amendments also include additional disclosures for investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features. The amendments shall be applied retrospectively with an adjustment to opening retained profits (or other component of equity) at the initial application date. Prior periods are not required to be restated and can only be restated without the use of hindsight.

3.2 New HKFRS Accounting Standards that have been issued but are not yet effective

The following new HKFRS Accounting Standards, potentially relevant to the Group's unaudited condensed 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.

HKFRS 18

Presentation and Disclosure in Financial Statements

Effective for annual periods beginning on or after 1 January 2027

The directors anticipate that the above pronouncement 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 the new HKFRS Accounting Standards on the Group's results and financial position and/or the disclosures to the unaudited condensed consolidated financial statements upon initial application.

HKFRS 18 – Presentation and Disclosure in Financial Statements

HKFRS 18 will replace HKAS 1 *Presentation of Financial Statements*, introducing new requirements that will help to achieve comparability of the financial performance of similar entities and provide more relevant information and transparency to users. Even though HKFRS 18 will not impact the recognition or measurement of items in the financial statements, its impacts on presentation and disclosures are expected to be pervasive, in particular those related to the statement of financial performance and providing management-defined performance measures within the financial statements. Management is currently assessing the detailed implications of applying the new standard on the Group's financial statements. Based on preliminary assessment, the line items presented in the primary financial statements might change as a result of the application of the concept of "useful structured summary" and the enhanced principles on aggregation and disaggregation. The Group does not expect there to be a significant change in the information that is currently disclosed in the notes because the requirement to disclose material information remains unchanged; however, the way in which the information is grouped might change as a result of the aggregation/disaggregation principles. Moreover, there will be significant new disclosures required for management-defined performance measures. HKFRS 18 is effective for annual periods beginning on or after 1 January 2027. The Group will apply HKFRS 18 retrospectively and will be required to present comparative information in accordance with HKFRS in the period of initial application.

4. SEGMENT INFORMATION**Operating segment information**

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

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

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

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

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

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

	Non-SMC segment HK\$'000	SMC segment HK\$'000	Total HK\$'000
Six months ended 30 June 2026 (Unaudited)			
Reportable segment revenue recognised at a point in time	<u>76,759</u>	<u>19,080</u>	<u>95,839</u>
Reportable segment profit	<u>9,722</u>	<u>5,466</u>	<u>15,188</u>
Corporate and unallocated income [^]			<u>2,513</u>
Corporate and unallocated expenses [^]			<u>(21,026)</u>
Loss before income tax			<u><u>(3,325)</u></u>
	Non-SMC segment HK\$'000	SMC segment HK\$'000	Total HK\$'000
Six months ended 30 June 2025 (Unaudited)			
Reportable segment revenue recognised at a point in time	<u>108,951</u>	<u>21,030</u>	<u>129,981</u>
Reportable segment profit	<u>29,023</u>	<u>3,706</u>	<u>32,729</u>
Corporate and unallocated income [^]			<u>5,029</u>
Corporate and unallocated expenses [^]			<u>(22,438)</u>
Profit before income tax			<u><u>15,320</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 incurred up to the respective period.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2026

5. REVENUE

The Group is principally engaged in the manufacturing and selling of electric tools and sourcing and selling of electric fans. Sales from the principal activities represent revenue from contracts with customers within the scope of HKFRS 15 *Revenue from contracts with customers*, which is recognised at a point in time and comprise:

	Six months ended 30 June	
	2026	2025
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Sales of electric fans and electric tools:		
– Fans	46,027	68,675
– Vacuum cleaners	34,403	49,219
– Work lights	15,320	12,087
– Others	89	–
	<u>95,839</u>	<u>129,981</u>

6. (LOSS)/PROFIT BEFORE INCOME TAX

	Six months ended 30 June	
	2026	2025
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
(Loss)/Profit before income tax is arrived at after charging:		
Cost of inventories recognised as expense		
– Carrying amount of inventories consumed	80,557	96,817
– Allowance for inventories	94	435
	<u>80,651</u>	<u>97,252</u>
Depreciation of property, plant and equipment	1,248	838
Depreciation of right-of-use assets	1,768	1,746
Employee benefit expenses (including Directors' emoluments):		
– Salaries, wages and other benefits	15,083	18,931
– Contribution to defined contribution retirement plans	701	754
	<u>15,784</u>	<u>19,685</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2026

7. INCOME TAX EXPENSE

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

	Six months ended 30 June	
	2026	2025
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax		
– Hong Kong Profits Tax	–	1,583
– Other regions of the People's Republic of China ("the PRC")		
– Enterprise Income Tax ("EIT")	683	1,030
– Over provision in respect of prior periods	(15)	(189)
	668	2,424
Deferred tax	(658)	–
Income tax expense	10	2,424

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

Hong Kong Profits Tax was calculated at 16.5% (2025: 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% (2025: 25%) on the estimated assessable income for the period.

8. DIVIDEND

Final dividend of HK\$0.005 per ordinary share, amounting to HK\$10,000,000, in respect of 2025, was proposed by the Directors and was approved by the shareholders in the annual general meeting held on 11 June 2026.

The Board did not recommend any interim dividend for the six months ended 30 June 2026 (six months ended 30 June 2025: HK\$0.005 per share amounting to HK\$10,000,000).

Subsequent to the end of the reporting period, the Board has resolved to declare a conditional special dividend of HK\$0.04575 per share amounting to HK\$91,500,000 (the "Special Dividend"). The payment of the Special Dividend is conditional upon the completion (the "Completion") has taken place pursuant to the sale and purchase agreement dated 31 July 2026. Further details of the declaration and payment of the Special Dividend are set out in the Company's announcement dated 13 August 2026 and the below section "Management Discussion And Analysis".

9. LOSS/EARNINGS PER SHARE**(a) Basic loss/earnings per share**

The calculation of basic loss per share (2025: earnings per share) attributable to the owners of the Company is based on the following data:

	Six months ended 30 June	
	2026	2025
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
(Loss)/Profit:		
(Loss)/Profit for the period attributable to owners of the Company	(3,335)	12,896

	Six months ended 30 June	
	2026	2025
	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 loss/earnings per share represented the weighted average number of ordinary shares in issue during the period.

(b) Diluted loss/earnings per share

The diluted loss/earnings per share is the same as the basic loss/earnings per share for the six months ended 30 June 2026 and 2025 as there were no dilutive potential ordinary shares in issue during both periods.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2026, the Group acquired property, plant and equipment of approximately HK\$5,206,000 (six months ended 30 June 2025: HK\$67,000). Such additions mainly comprised of moulds, tools and equipment of HK\$4,940,000 (six months ended 30 June 2025: HK\$67,000).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2026

11. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	30 June 2026 HK\$'000 (Unaudited)	31 December 2025 HK\$'000 (Audited)
Trade receivables	55,956	60,562
Less: Provision for impairment	(488)	(699)
Trade receivables, net	55,468	59,863
Other receivables	8,133	5,188
Deposits and prepayments	3,322	5,302
	66,923	70,353

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 2026 HK\$'000 (Unaudited)	31 December 2025 HK\$'000 (Audited)
0 to 30 days	18,219	18,080
31 to 60 days	8,446	12,446
61 to 90 days	12,895	12,753
Over 90 days	16,396	17,283
	55,956	60,562

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2026

12. TRADE AND OTHER PAYABLES AND ACCRUALS

	30 June 2026 HK\$'000 (Unaudited)	31 December 2025 HK\$'000 (Audited)
Trade payables	23,302	30,298
Accruals and other payables	23,911	24,929
Contract liabilities	343	5
	<u>47,556</u>	<u>55,232</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 each reporting period is as follows:

	30 June 2026 HK\$'000 (Unaudited)	31 December 2025 HK\$'000 (Audited)
0 to 30 days	7,594	14,594
31 to 60 days	3,264	3,752
61 to 90 days	1,073	2,537
Over 90 days	11,371	9,415
	<u>23,302</u>	<u>30,298</u>

13. AMOUNTS DUE TO FELLOW SUBSIDIARIES

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

14. SHARE CAPITAL

Details of the authorised and issued and fully paid share capital of the Company as of 31 December 2025 and 30 June 2026 are summarised as follows:

Ordinary shares	Par value HK\$	Number of ordinary shares	Amount HK\$'000
Authorised:			
At 1 January 2025, 31 December 2025 (audited) and 30 June 2026 (unaudited)	0.01	<u>5,000,000,000</u>	<u>50,000</u>
Issued and fully paid:			
At 1 January 2025, 31 December 2025 (audited) and 30 June 2026 (unaudited)	0.01	<u>2,000,000,000</u>	<u>20,000</u>

15. RESERVES

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

The nature of the reserves is as follows:

(a) Share premium

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

(b) Merger reserve

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

(c) Capital contribution

Capital contribution comprised (i) an amount of HK\$8,254,000 due to Shell Holdings which was waived by Shell Holdings; and (ii) an amount of HK\$8,682,000 which represents professional fees incurred by the Group for the Listing which were reimbursed by Shell Holdings in 2020.

(d) Translation reserve

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

(e) Statutory reserve

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

(f) Retained earnings

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

16. CAPITAL COMMITMENTS

	30 June 2026 HK\$'000 (Unaudited)	31 December 2025 HK\$'000 (Audited)
Contracted for but not provided in the financial statements		
– Acquisition of property, plant and equipment	<u>3,397</u>	<u>4,930</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2026

17. RELATED PARTY TRANSACTIONS

The amounts due to fellow subsidiaries is disclosed in note 13.

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

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

Name	Related party relationship	Type of transaction	Transaction amount	
			Six months ended 30 June	
			2026 HK\$'000 (Unaudited)	2025 HK\$'000 (Unaudited)
佛山市順德區蜆華多媒體製品有限公司 (Shunde SMC Multi-Media Products Company Limited*)	Fellow subsidiary	Rental fee charged by the related party for leasing of staff quarter (Note)	70	73
PFC Device (HK) Limited	Fellow subsidiary	Purchase of raw materials from the related party	63	45
SMC Multi-Media (H.K.) Ltd	Fellow subsidiary	Purchase of raw materials from the related party	385	–
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	13,872	24,082

* for identification purpose only

The Group entered into 2 leases agreements with a fellow subsidiary and Shell Holdings for leasing of factory, office premises, warehouse, and carpark spaces in Hong Kong and the PRC for a period of 24 months effective on 16 December 2024. For the six months ended 30 June 2026, monthly rental is approximately HK\$313,000 (six months ended 30 June 2025: HK\$309,000), which was determined with reference to amounts charged by the fellow subsidiary and Shell Holdings to third parties. The Group recognised right-of-use assets and lease liabilities in relation to the above-mentioned lease agreements for factory, office premises, warehouse and carpark spaces under HKFRS 16 *Leases*. For the six months ended 30 June 2026, total undiscounted rental payments under these leases were approximately HK\$1,875,000 (six months ended 30 June 2025: HK\$1,851,000).

Note:

The monthly rental payable for leasing the staff quarters at Shunde, the PRC, is charged based on the actual number of rooms used and recognised in profit or loss when it is incurred. Rental payment for the leasing of staff quarters for the period ended 30 June 2026 amounted to RMB61,000 (equivalent to approximately HK\$70,000) (six months ended 30 June 2025: RMB68,000 equivalent to approximately HK\$73,000).

The above transactions were conducted on mutually agreed terms.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2026, the Group's sales decreased compared to last year. The electric fan business was affected by the Iran War, leading to substantial decline in sales in the Middle East market. Other fan markets were relatively stable and gross profit could be maintained. For the electric tools business, escalating costs of raw materials and long lead time had led to cutback in order fill rate and therefore affecting sales.

Looking forward, year 2026 continues to be challenging. We remain optimistic as we anticipate a stable customer demand.

FINANCIAL REVIEW

Revenue and Operating Results

Revenue from the Group's operations for the six months ended 30 June 2026 amounted to HK\$95.8 million, representing a decrease of HK\$34.2 million or 26.3% as compared to HK\$130.0 million for the corresponding period in 2025. Such decrease was primarily attributable to the weakened market demand arising from the challenging economic environment, which led to a reduction in customer orders. In addition, the conflicts between the United States and Iran, which resulted in the temporary cessation of sales to the Middle East market, and certain new product originally scheduled for the first half of the year due to the updating of to the product design resulted in the relevant delivery (and hence the revenue recognition) being deferred to the second half of the year.

The Group's gross profit for the six months ended 30 June 2026 amounted to HK\$15.2 million, representing a decrease of HK\$17.5 million as compared to HK\$32.7 million for the corresponding period in 2025. The gross profit margin for the six months ended 30 June 2026 was 15.9%, representing a decrease of 9.3 percentage points compared to 25.2% for the corresponding period in 2025. The decrease in gross profit for the period was mainly attributable to the decrease in sales and increase in raw material costs of electric tools.

Loss attributable to the owners of the Company for the six months ended 30 June 2026 was HK\$3.3 million as compared to a profit attributable to the owners of the Company of HK\$12.9 million for the six months ended 30 June 2025. The turnaround from profit to loss was primarily attributable to a significant decline in gross profit as mentioned above.

Liquidity, Financial Resources and Capital Structure

The Group has adequate liquidity and financial resources to meet its 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 pursue the Group's future business development. As at 30 June 2026, the Group's total cash and bank balances amounted to approximately HK\$52.5 million (31 December 2025: HK\$71.0 million) which is mainly denominated in United States Dollars ("US\$").

As at 30 June 2026, the current ratio of the Group was approximately 3.05 times (31 December 2025: approximately 2.77 times).

The capital of the Group comprises only ordinary shares. As at 30 June 2026, 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, the PRC and Vietnam. 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 a 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 2026 was nil (31 December 2025: Nil) as the Group did not have any bank borrowings at the respective period end.

Capital Expenditure and Capital Commitments

During the six months ended 30 June 2026, the Group incurred capital expenditure of approximately HK\$2.6 million for purchases of property, plant and equipment and prepayments for acquisition of property, plant and equipment (six months ended 30 June 2025: approximately HK\$0.2 million).

As at 30 June 2026, the Group had total capital commitments of approximately HK\$3.4 million (31 December 2025: HK\$4.9 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 2026 (31 December 2025: Nil).

Segment Information

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

Significant Investment/Material Acquisition and Disposal

During the six months ended 30 June 2026, the Group had not made any significant investments or material acquisitions and disposal of subsidiaries.

Employees and Remuneration Policy

As at 30 June 2026, the total number of employees of the Group was 113 (31 December 2025: 110), 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 practices 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 2026, the Group did not have any assets which were pledged as security for the Group's borrowings (31 December 2025: Nil).

DIVIDEND

The Board did not recommend any interim dividend for the six months ended 30 June 2026 (six months ended 30 June 2025: HK\$0.005 per share).

Reference is made to the announcement of the Company dated 13 August 2026 in relation to the declaration and payment of a Special Dividend. The Board has resolved to declare a conditional Special Dividend of HK\$0.04575 per share in cash to the shareholders, amounting to HK\$91,500,000 in total. The payment of the Special Dividend is conditional upon the Completion having taken place. If the Completion has not taken place, the Special Dividend will not be paid. Subject to the Completion having taken place, the Special Dividend will be paid on or around Monday, 14 September 2026 to the shareholders whose names appear on the register of members of the Company at the close of business on Monday, 31 August 2026.

POSSIBLE CHANGE OF CONTROL OF THE COMPANY

The Company was notified by Shell Electric Holdings Limited (controlling shareholder of the Company, the "Seller") and Mega Nova Holdings Limited (the "Offeror") that they had entered into a sale and purchase agreement dated 31 July 2026 for the sale and purchase of 1,400,000,000 shares of the Company (representing 70% of the total issued shares as at the date of the said agreement) at a total cash consideration of HK\$154,000,000 (the "SPA"). Pursuant to Rule 26.1 of the Hong Kong Code on Takeovers and Mergers, upon Completion, the Offeror will be required to make a mandatory unconditional cash offer for all the issued shares of the Company (other than those already owned and/or agreed to be acquired by the Offeror and the parties acting in concert with it) (the "Offer"). The Company issued a joint announcement with the Offeror dated 31 July 2026 (the "Joint Announcement") in relation to, among other things, the SPA and the Offer. Details of the terms of the SPA and the Offer are set out in the Joint Announcement.

CORPORATE GOVERNANCE AND OTHER INFORMATION

DISCLOSURE OF INTERESTS

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

As at 30 June 2026, 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 C3 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 2026
Mr. Yung Kwok Kee, Billy ("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 80.5% interest in Shell Holdings. Accordingly, Mr. Yung is deemed to be interested in the shares held by Shell Holdings by virtue of the SFO.

II. Interests in the shares of associated corporation

Name of Director/ chief executive	Name of associated corporation	Capacity/ Nature of interest	Number of shares in associated corporation	Percentage of shareholding as at 30 June 2026
Mr. Yung	Shell Holdings	Interest in a controlled corporation (Note)	421,531,111	80.5%

Note:

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

Save as disclosed above, as at 30 June 2026, 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 2026, the Company had been notified of the following substantial shareholders' interests, being 5% or more of the Company's issued share capital.

Name of substantial shareholders	Capacity/nature of interest	Number of shares held/interested in	Long/short position	Percentage of shareholding as at 30 June 2026
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%
HKC (Holdings) Limited	Beneficial owner	180,090,000 (Note 3)	Long	9.00%
Hesed Investments Limited	Interest in a controlled corporation	180,090,000 (Note 3)	Long	9.00%
Creator Holdings Limited	Interest in a controlled corporation	180,090,000 (Note 3)	Long	9.00%
Claudio Holdings Limited	Interest in a controlled corporation	180,090,000 (Note 3)	Long	9.00%
Mr. Oei Kang, Eric (" Mr. Oei ") and Mrs. Oei Valonia Lau (" Mrs. Oei ") jointly	Interest in a controlled corporation	180,090,000 (Note 3)	Long	9.00%

Notes:

1. Mr. Yung holds the entire issued share capital of Red Dynasty, which, in turn, holds 80.5% interest in Shell Holdings. Accordingly, Mr. Yung is deemed to be interested in the shares held by Shell Holdings by virtue of the SFO.
2. Ms. Vivian Hsu ("**Mrs. Yung**") is the spouse of Mr. Yung. By virtue of the SFO, Mrs. Yung is deemed to be interested in all the shares in which Mr. Yung is deemed to be interested.
3. HKC (Holdings) Limited (formerly known as Hong Kong Construction (Hong Kong) Limited) is wholly-owned by Hesed Investments Limited (formerly known as HKC (Holdings) Limited) and Hesed Investments Limited was held as to 100% by Claudio Holdings Limited (via its wholly-owned subsidiaries, Creator Holdings Limited and Genesis Capital Group Limited), a company wholly-owned by Mr. Oei and Mrs. Oei jointly.

Save as disclosed above, as at 30 June 2026 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.

As at 1 January 2026 and 30 June 2026, the number of share options available for grant under the Share Option Scheme was 200,000,000.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2026, neither the Company, nor any of its subsidiaries has purchased, sold, or redeemed any of the Company’s listed securities (including the sale of treasury shares). The Company did not hold any treasury shares as at 30 June 2026.

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 2026.

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 six months ended 30 June 2026. 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 2026, including the accounting principles and practices adopted by the Group, and discussed financial reporting, auditing and internal controls matters and reviewed this interim report.

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

Hong Kong, 31 August 2026

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