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## **KEEN OCEAN INTERNATIONAL HOLDING LIMITED**

### **僑洋國際控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8070)**

## **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2019**

**Characteristics of GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”)**

**GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Main Board. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.**

**Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

*This announcement, for which the directors (the “**Directors**”) of Keen Ocean International Holding Limited (the “**Company**” or “**our**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company and its subsidiaries (collectively refer to as the “**Group**”). The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

## UNAUDITED INTERIM RESULTS

The board of directors (the “**Board**”) of the Company is pleased to announce the unaudited consolidated interim results of the Group for the three months and six months ended 30 June 2019, together with the comparative figures for the corresponding periods in 2018 as follows:

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and six months ended 30 June 2019

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited) (Restated)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited) (Restated)
<b>Revenue</b>	3	<b>45,916</b>	43,001	<b>88,888</b>	81,362
Cost of sales		<b>(40,260)</b>	(36,883)	<b>(74,177)</b>	(70,037)
Gross profit		<b>5,656</b>	6,118	<b>14,711</b>	11,325
Other income		<b>248</b>	377	<b>279</b>	462
Other gains and losses		<b>231</b>	431	<b>351</b>	544
Selling and distribution expenses		<b>(1,787)</b>	(1,702)	<b>(3,324)</b>	(3,495)
Administrative expenses		<b>(5,667)</b>	(6,284)	<b>(11,280)</b>	(12,151)
Finance costs		<b>(498)</b>	(513)	<b>(909)</b>	(1,009)
<b>Loss before taxation</b>		<b>(1,817)</b>	(1,573)	<b>(172)</b>	(4,324)
Income tax expense	4	<b>–</b>	–	<b>(200)</b>	–
<b>Loss for the period</b>	5	<b>(1,817)</b>	(1,573)	<b>(372)</b>	(4,324)
<b>Other comprehensive expenses after tax:</b>					
<i>Items that may be reclassified to profit or loss:</i>					
Exchange differences on translating foreign operations		<b>110</b>	(323)	<b>110</b>	(323)
<b>Total comprehensive expenses for the period</b>		<b>(1,707)</b>	(1,896)	<b>(262)</b>	(4,647)
<b>Loss for the period attributable to:</b>					
Equity holders of the Company		<b>(1,816)</b>	(1,587)	<b>(371)</b>	(4,338)
Non-controlling interests		<b>(1)</b>	14	<b>(1)</b>	14
		<b>(1,817)</b>	(1,573)	<b>(372)</b>	(4,324)
<b>Total comprehensive expenses for the period attributable to:</b>					
Equity holders of the Company		<b>(1,706)</b>	(1,910)	<b>(261)</b>	(4,661)
Non-controlling interests		<b>(1)</b>	14	<b>(1)</b>	14
		<b>(1,707)</b>	(1,896)	<b>(262)</b>	(4,647)
<b>Loss per share</b>	6				
Basic and diluted (HK cents)		<b>(0.91)</b>	(0.79)	<b>(0.19)</b>	(2.17)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Notes	As at 30 June 2019 HK\$'000 (Unaudited)	As at 31 December 2018 HK\$'000 (Audited) (Restated)	As at 1 January 2018 HK\$'000 (Audited) (Restated)
<b>Non-current assets</b>				
Property, plant and equipment	8	12,059	10,344	8,353
Right-of-use assets		3,146	4,609	4,111
		<u>15,205</u>	<u>14,953</u>	<u>12,464</u>
<b>Current assets</b>				
Inventories		50,039	52,115	39,315
Trade and other receivables and prepayments	9	46,524	34,897	41,909
Prepaid income tax		117	–	76
Pledged bank deposits		7,295	7,256	7,201
Bank and cash balances		1,200	4,318	13,641
		<u>105,175</u>	<u>98,586</u>	<u>102,142</u>
<b>Current liabilities</b>				
Trade and other payables and accruals	10	32,429	26,579	19,283
Contract liabilities		3,030	6,511	1,077
Bank loans and overdrafts		24,994	19,411	28,448
Amount due to a related party		2,469	1,834	595
Lease liabilities		2,367	2,916	2,992
		<u>65,289</u>	<u>57,251</u>	<u>52,395</u>
<b>Net current assets</b>		<u>39,886</u>	<u>41,335</u>	<u>49,747</u>
Total assets less current liabilities		<u>55,091</u>	<u>56,288</u>	<u>62,211</u>
<b>Non-current liabilities</b>				
Lease liabilities		942	1,877	1,258
		<u>942</u>	<u>1,877</u>	<u>1,258</u>
<b>Net Assets</b>		<u>54,149</u>	<u>54,411</u>	<u>60,953</u>
<b>Capital and reserves</b>				
Share capital	11	2,000	2,000	2,000
Reserves		52,133	52,394	58,953
		<u>54,133</u>	<u>54,394</u>	<u>60,953</u>
Non-controlling interests		16	17	–
<b>TOTAL EQUITY</b>		<u>54,149</u>	<u>54,411</u>	<u>60,953</u>

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

*For the six months ended 30 June 2019*

## 1. BASIS OF PREPARATION

These unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosures required by the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited.

These unaudited condensed consolidated financial statements should be read in conjunction with the 2018 annual financial statements. The accounting policies and methods of computation used in the preparation of these condensed financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2018 except as stated below.

### **Leases**

#### *The Group as lessee*

Leases are recognised as right-of-use assets and corresponding lease liabilities when the leased assets are available for use by the Group. Right-of-use assets are stated at cost less accumulated depreciation and impairment losses. Depreciation of right-of-use assets is calculated at rates to write off their cost over the shorter of the asset’s useful life and the lease term on a straight-line basis. The principal annual rates are as follows:

Buildings over the lease term of 2 years or 3 years

Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liabilities, lease payments prepaid, initial direct costs and the restoration costs. Lease liabilities include the net present value of the lease payments discounted using the interest rate implicit in the lease if that rate can be determined or otherwise the Group’s incremental borrowing rate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the lease liability.

Payments associated with short-term leases and leases of low-value assets are recognised as expenses in profit or loss on a straight-line basis over the lease terms. Short-term leases are leases with an initial lease term of 12 months or less. Low-value assets are assets of value below US\$5,000.

## 2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2019. HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”); Hong Kong Accounting Standards (“HKAS”); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s financial statements and amounts reported for the current period and prior year except as stated below.

### HKFRS 16 “Leases”

On adoption of HKFRS 16, the Group recognised right-of-use assets and lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under HKAS 17 “Leases.”

HKFRS 16 has been applied retrospectively and resulted in changes in the consolidated amounts reported in the financial statements as follows:

	31 December 2018 <i>HK\$’000</i>	1 January 2018 <i>HK\$’000</i>
<b>Statement of financial position:</b>		
Increase in right-of-use assets	4,609	4,111
Increase in lease liabilities	4,793	4,250
Decrease in retained earnings	184	139
	For the three months ended 30 June 2018 <i>HK\$’000</i>	For the six months ended 30 June 2018 <i>HK\$’000</i>
<b>Statement of profit and loss</b>		
Decrease in cost of sales	241	223
Increase in administrative expenses	180	102
Increase in lease interests	76	160
Decrease in loss for the period	15	39
Decrease in loss per share – Basic and diluted (HK cents)	N/A	0.02

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRS would have a material impact on its results of operations and financial position.

### 3. REVENUE AND SEGMENT INFORMATION

An analysis of the Group's revenue from its major products is as follows:

	For the three months ended 30 June		For the six months ended 30 June	
	2019 <i>HK\$'000</i> (unaudited)	2018 <i>HK\$'000</i> (unaudited)	2019 <i>HK\$'000</i> (unaudited)	2018 <i>HK\$'000</i> (unaudited)
Sales of transformers	17,494	24,906	39,166	44,040
Sales of switching mode power supply	9,094	750	9,561	1,228
Sales of electronic parts and products as well as enamelled copper wires	15,430	17,345	31,051	36,094
Sales of electric healthcare products	3,898	–	9,110	–
	<u>45,916</u>	<u>43,001</u>	<u>88,888</u>	<u>81,362</u>

Disaggregation of revenue from contracts with customers:

#### Geographical information

The Group's operation is located in the People's Republic of China (the "PRC"). Information about the Group's revenue is presented based on the location of the customers. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	For the three months ended 30 June		For the six months ended 30 June		Non-current assets	
	2019 <i>HK\$'000</i> (unaudited)	2018 <i>HK\$'000</i> (unaudited)	2019 <i>HK\$'000</i> (unaudited)	2018 <i>HK\$'000</i> (unaudited)	As at 30 June 2019 <i>HK\$'000</i> (unaudited)	As at 31 December 2018 <i>HK\$'000</i> (audited) (restated)
Hong Kong	4,517	4,309	8,430	9,428	1,149	1,607
PRC	12,729	8,693	25,446	17,638	14,056	13,346
Europe	9,361	11,456	22,802	17,722	–	–
United States	7,537	6,687	12,804	20,732	–	–
Others	11,772	11,856	19,406	15,842	–	–
	<u>45,916</u>	<u>43,001</u>	<u>88,888</u>	<u>81,362</u>	<u>15,205</u>	<u>14,953</u>

All timing of revenue recognition is at a point in time for the six months ended 30 June 2019 and 2018.

#### 4. INCOME TAX EXPENSE

	For the three months ended 30 June		For the six months ended 30 June	
	2019	2018	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current tax:				
Hong Kong Profits Tax	–	–	83	–
PRC Enterprise Income Tax	–	–	117	–
	–	–	200	–
	<u>–</u>	<u>–</u>	<u>200</u>	<u>–</u>

Provision of Hong Kong Profit Tax is calculated at the rate of 16.5% based on assessable profit for the six months ended 30 June 2019 (for the six months ended 30 June 2018: Nil).

Provision of PRC tax, under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25% for the six months ended 30 June 2019 (for the six months ended 30 June 2018: Nil).

#### 5. LOSS FOR THE PERIOD

The Group's loss for the period has been arrived at after charging the following:

	For the three months ended 30 June		For the six months ended 30 June	
	2019	2018	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Directors' emoluments	355	353	706	706
Cost of inventories sold	30,276	36,356	53,751	67,859
Depreciation of plant and equipment	607	609	1,194	1,132
Depreciation of right-of-use assets	731	724	1,462	1,449
Research and development expenses	617	809	1,325	1,547
Staff Costs	7,655	8,173	15,671	15,639
	<u>7,655</u>	<u>8,173</u>	<u>15,671</u>	<u>15,639</u>

## 6. LOSS PER SHARE

	For the six months ended 30 June	
	2019	2018
	(unaudited)	(unaudited) (restated)
Loss for the period attributable to owners of the Company (HK\$'000)	<u>(371)</u>	<u>(4,338)</u>
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share ( <i>Note</i> )	<u>200,000,000</u>	<u>200,000,000</u>

*Note:*

No diluted loss per share is presented for the six months ended 30 June 2019 and 2018 since there are no potential diluted ordinary shares in issue during both periods.

## 7. DIVIDENDS

No dividend was paid, declared or proposed during the interim periods ended 30 June 2019 and 30 June 2018.

## 8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2019, the Group acquired property, plant and equipment of approximately HK\$2,836,000 (six months ended 30 June 2018: HK\$1,339,000) and depreciation amounting to approximately HK\$1,194,000 was provided during the period (six months ended 30 June 2018: HK\$1,132,000).

## 9. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

The following is an aged analysis of trade receivables, net of allowance for doubtful debts, presented based on the invoice date at the end of the reporting period:

	<b>30 June 2019 HK\$'000 (unaudited)</b>	31 December 2018 HK\$'000 (audited)
0 – 90 days	30,256	23,555
91 to 180 days	2,850	3,208
181 to 365 days	3,678	1,084
Over 1 year	1,335	1,031
	<u>38,119</u>	<u>28,878</u>

## 10. TRADE AND OTHER PAYABLES AND ACCRUALS

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	<b>30 June 2019 HK\$'000 (unaudited)</b>	31 December 2018 HK\$'000 (audited)
0 – 90 days	25,202	14,775
91 to 180 days	4,091	4,533
181 to 365 days	286	80
Over 1 year	327	290
	<u>29,906</u>	<u>19,678</u>

## 11. SHARE CAPITAL

	<b>30 June 2019 HK\$'000 (unaudited)</b>	31 December 2018 HK\$'000 (audited)
Authorised		
1,000,000,000 ordinary shares of HK\$0.01 each	<u>10,000</u>	<u>10,000</u>
Issued and fully paid		
200,000,000 ordinary shares of HK\$0.01 each	<u>2,000</u>	<u>2,000</u>

## 12. CAPITAL COMMITMENT

The Group had no material capital commitment as at 30 June 2019 and 31 December 2018.

## 13. CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 June 2019 and 31 December 2018.

## 14. RELATED-PARTY TRANSACTIONS

### (a) Names of and the relationship with related parties are as follows:

Name of related parties	Relationship <i>Notes</i>
Chung Chi Hang, Larry	(i)
Chung Tin Shing	(i)
Chung Chi Wah	(ii)
T-Lab Electronics & Plastics (He Yuan) Co., Ltd.	(iii)

#### *Notes:*

- (i) Mr. Chung Chi Hang, Larry is the ultimate controlling shareholder and a director of the Company. Mr. Chung Tin Shing is a non-controlling shareholder of an intermediate holding company and a director of the Company.
- (ii) Mr. Chung Chi Wah is a close family member of Mr. Chung Chi Hang, Larry.
- (iii) The beneficial owner of the company is Mr. Chung Chi Hang, Larry.

### (b) The Company entered into the following transactions with related parties during the reporting period:

	<b>For the six months ended 30 June</b>	
	<b>2019</b>	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	(unaudited)
Rental paid to a related company		
T-Lab Electronics & Plastics (He Yuan) Co., Ltd	<b>1,100</b>	901

(c) **Compensation of key management personal:**

The emoluments of Directors and other members of key management for the reporting periods were as follows:

	<b>For three months ended 30 June</b>		<b>For six months ended 30 June</b>	
	<b>2019</b>	2018	<b>2019</b>	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	(unaudited)	<b>(unaudited)</b>	(unaudited)
Salaries and other benefits	<b>479</b>	437	<b>957</b>	852
Retirement benefit contributions	<b>20</b>	18	<b>40</b>	35
	<b>499</b>	455	<b>997</b>	887

The emoluments of Directors and key management are determined with reference to the performance of individuals and market trends.

**15. EVENTS AFTER THE REPORTING PERIOD**

The Group had no significant event after the end of the reporting period and up to the date of approval of these interim financial statements.

**16. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS**

The unaudited condensed consolidated financial statements for the three months and six months ended 30 June 2019 were approved and authorised for issue by the Board on 5 August 2019.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

During the period under review, the Group was principally engaged in the design, development, production and sale of transformers, switching mode power supplies, other electronic parts and components as well as electric healthcare products. The Group sells its products domestically as well as overseas. Customers are mainly manufacturers and trading entities.

Most of the transformers and power supply products were manufactured and sold under the Group's branch name called "Keen Ocean" while all electronic parts and components as well as electric healthcare products were sold on an original equipment manufacturer basis. Among the products manufactured and sold, transformers remained the Group's flagship products and represented approximately 44.06% of the Group's sales for the six months ended 30 June 2019 (for the six months ended 30 June 2018: approximately 54.13%). The percentage sales for switching mode power supplies represented approximately 10.76% of the Group's sales for the six months ended 30 June 2019 (for the six months ended 30 June 2018: approximately 1.51%). The percentage sales for other electronic parts and components as well as other electronic products accounted for approximately 34.93% of the Group's sales for the six months ended 30 June 2019 (for the six months ended 30 June 2018: approximately 44.36%). Since the delivering of our new electric healthcare product, it has evolved rapidly to become a new sustainable product line on its own. The new electric healthcare product line accounted for approximately 10.25% of the Group's sales for the six months ended 30 June 2019 (for the six months ended 30 June 2018: Nil). Despite the strong performance of the new electric healthcare product line, the sales of this new product line dropped 25.21% for the three months ended 30 June 2019 as compared with the three months ended 31 March 2019 due to the request from customers to delay shipment of the products.

Revenue generated by the Group increased moderately during the period under review as compared to the corresponding period in last year despite the global economic uncertainty and political instability. Such increase was attributable to the contribution from the selling of new electric healthcare products in the first three months of the period under review. This new product has a higher profit margin than those of the Group's existing products. Sales of all other existing products are also growing steadily.

The Group has temporarily suspended the production and sales of enamelled copper wire due to its low profit margin. Besides, such production may tie up the Group's resources which would otherwise be used to produce more profitable products when opportunity arises. This explains why the sales of other electronic parts and components dropped during the period under review as compared to the corresponding period in 2018. In addition, the Group also produced less electric healthcare products in the three months ended 30 June 2019 due to piling up of the products in warehouse as a result of customers' requests to delay in shipment of products.

During the period under review, the management of the Group continued to visit and follow up with major customers in order to maintain good business relationships.

During the period under review, the rising copper price showed signs of slowing down. Price of copper moved horizontally for a while and declined slowly during the period. As less resources were tied up in stocking raw materials, more funds have been released for other development and investment purposes.

During the period under review, the Group increased the price of its transformer products by 5 to 8 percent in order to match the prevailing prices in the transformer market.

During the period under review, the Group continued its advertising and marketing campaigns for its new and existing products. These campaigns included but not limited to placing advertisements in renowned industrial magazines such as Global Source and taking part in exhibitions held overseas.

## **FINANCIAL REVIEW**

The Group's revenue increased by approximately HK\$7.53 million, or 9.26%, from approximately HK\$81.36 million for the six months ended 30 June 2018 to approximately HK\$88.89 million for the six months ended 30 June 2019. Such increase was primarily due to the increase in selling price of transformer products and contribution from selling of new electric healthcare product. Cost of sales increased by approximately HK\$4.14 million, or 5.91%, from approximately HK\$70.04 million for the six months ended 30 June 2018 to approximately HK\$74.18 million for the six months ended 30 June 2019. Such increase was mainly due to the stable production costs as a result of slowing down in rising of price of copper during the period under review. Besides, unlike transformer, new electric healthcare product requires no copper and steel in its production. As a result, the Group's gross profit increased by approximately HK\$3.39 million, or 29.95%, from approximately HK\$11.32 million for the six months ended 30 June 2018 to approximately HK\$14.71 million for the six months ended 30 June 2019. Gross profit margin increased from 13.91% for the six months ended 30 June 2018 to 16.55% for the six months ended 30 June 2019. Such increase was attributable to a higher profit margin of the new electric healthcare product as it does not require expensive copper and steel in its production. The other reasons for the increase in profit margin was due to a reduction in production cost as a result of optimisation of production process.

Other income decreased by approximately HK\$183,000 or 39.61% from approximately HK\$462,000 for the six months ended 30 June 2018 to approximately HK\$279,000 for the six months ended 30 June 2019. Such decrease was mainly due to the decrease in bank interest income as a result of non-renewal of some fixed deposits after their maturity and decrease in sales of scrap materials. Besides, there was reduced government grant received by the Group from the He Yuan Municipal Authority from approximately HK\$24,000 for the six months ended 30 June 2018 to approximately HK\$3,000 for the six months ended 30 June 2019.

Other gains decreased by approximately HK\$193,000 or 35.48% from gains of approximately HK\$544,000 for the six months ended 30 June 2018 to gains of approximately HK\$351,000 for the six months ended 30 June 2019. Such decrease in gains was mainly attributable to the appreciation of Renminbi against US dollars during the period under review as some of the sales were billed in Renminbi but were settled in US dollars at a pre-determined rate fixed on invoice date.

Selling and distribution expenses decreased by approximately HK\$0.18 million or 5.14%, from approximately HK\$3.50 million for the six months ended 30 June 2018 to approximately HK\$3.32 million for the six months ended 30 June 2019. Such decrease was mainly attributable to the decrease in shipping and handling charges. The Group had more small individual customers in 2018 than in 2019. For this reason, the Group incurred more shipping and handling charges for shipping goods to various small individual customers in 2018. In 2019, orders are mainly from sizable customers. Shipping of sizable orders help the Group to save handling charges and obtain more favourable shipping rates.

Administrative expenses decreased by approximately HK\$0.87 million or 7.16%, from approximately HK\$12.15 million for the six months ended 30 June 2018 to approximately HK\$11.28 million for the six months ended 30 June 2019. The Group successfully reduced its overhead expenditures by streamlining its administrative workflows. There were obvious cost saving in human resources and related expenditures as a result of such exercise. Besides, the effectiveness and efficiency of the Group's operations have also been improved.

Finance costs decreased slightly by approximately HK\$0.10 million or 9.90% from approximately HK\$1.01 million for the six months ended 30 June 2018 to approximately HK\$0.91 million for the six months ended 30 June 2019. Such decrease was attributable to the decrease in bank loans as compared to the corresponding period in 2018.

Income tax expenses increased by approximately HK\$0.20 million or 100% from approximately HK\$nil for the six months ended 30 June 2018 to approximately HK\$0.20 million for the six months ended 30 June 2019. Such increase was mainly due to provision of profit tax payable by the Group as a result of increase in profits incurred in respect of the Group's operations in Hong Kong and China during the period under review.

As a result of the above, the Group recorded a loss of approximately HK\$0.37 million for the six months ended 30 June 2019 (for the six months ended 30 June 2018: loss of approximately HK\$4.32 million).

## **PROSPECT**

The tension arising from the trade dispute between the US and China seems to have lessened in the past few months after several talks between the two government officials. Despite such relaxation, the Group remains cautiously optimistic over the market outlook amid the uncertain global economic environment and political instability.

The delivery of electric healthcare product to customers during the three months ended 30 June 2019 has been interrupted due to customers' requests to defer the shipments. The Group will adjust its production schedule to alleviate the impact from such interruption. The Group will pay close attention to the trend and development of electric healthcare product in the European market and take precautionary action to minimize any impact due to unexpected change in market conditions.

In the short term, apart from developing new products to broaden its product range, the Group will take all appropriate measures to maximise the efficiency and effectiveness in production processes and to minimise the costs of production. The Group will also continue to promote its existing products, exploit oversea markets, solidify relationship with existing customers and widen customer base. The Group has confidence to improve the profit margin of its products and endeavors to strengthen its competitiveness in the market so as to generate sustainable returns and maximise shareholders' return.

## **LIQUIDITY AND FINANCIAL RESOURCES**

During the period under review, the Group's source of funds was primarily from the cash generated from operating activities. The Group also utilised bank borrowings to finance its operations. As at 30 June 2019, the Group had a healthy financial position with net assets amounted to approximately HK\$54.15 million (31 December 2018: approximately HK\$54.41 million). Net current assets stood at approximately HK\$39.89 million (31 December 2018: approximately HK\$41.34 million).

As at 30 June 2019, shareholder's fund amounted to approximately HK\$54.15 million (31 December 2018: approximately HK\$54.41 million). Current assets amounted to approximately HK\$105.18 million (31 December 2018: approximately HK\$98.59 million), mainly comprising inventories, trade and other receivables and prepayments, pledged bank deposits, bank and cash balance. Current liabilities amounted to approximately HK\$65.29 million (31 December 2018: approximately HK\$57.25 million), mainly comprising trade and other payables and accruals, bank borrowings and overdrafts.

As at 30 June 2019, the Group's bank and cash balance amounted to approximately HK\$1.20 million (31 December 2018: approximately HK\$4.32 million). Net asset value per share was HK\$0.27 (31 December 2018: HK\$0.27).

As at 30 June 2019, the gearing ratio of the Group, which is based on the ratio of interest bearing borrowings net of bank and cash balance to total equity, was approximately 0.44% (31 December 2018: approximately 0.28%). Such increase was mainly due to the increase in bank borrowing during the period under review.

The Group's source of funds can further be satisfied by using a combination of cash generated from operating services, bank borrowing and net proceeds from other fund raised from the capital market from time to time.

### **CAPITAL STRUCTURE**

As at 30 June 2019, the issued share capital of the Group comprised only ordinary shares. The capital structure of the Group mainly consists of borrowings from bank and equity attributable to owners of the Group, comprising issued share capital and retained earnings respectively. Borrowings from bank were denominated in Hong Kong dollars which were secured by pledged bank deposits and trade receivables of the Group.

### **FOREIGN EXCHANGE EXPOSURE**

The sales of the Group are mainly denominated in US dollars. However, the Group has certain foreign currency sales and purchases transactions denominated in Renminbi and Hong Kong dollars, which may expose the Group to foreign currency risk. The Group currently has no foreign currency hedging policy and the management monitors the foreign exchange exposure by closely monitoring the movement of foreign currency rates. Nevertheless, the Group will consider hedging significant foreign currency exposure should the need arise.

### **SIGNIFICANT INVESTMENT HELD**

As at 30 June 2019, the Group did not have any significant investment held (31 December 2018: nil).

### **CONTINGENT LIABILITIES**

As at 30 June 2019, the Group did not have any material contingent liabilities (31 December 2018: nil).

### **CAPITAL COMMITMENT**

As at 30 June 2019, the Group did not have any significant capital commitment (31 December 2018: nil).

## EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2019, the Group had a total staff of approximately 490 employees (30 June 2018: approximately 530 employees), including the Directors. Total staff costs excluding Directors' remuneration for the six months ended 30 June 2019 amounted to approximately HK\$15.67 million (six months ended 30 June 2018: approximately HK\$15.64 million). Remuneration packages including staff benefits are maintained at a competitive level and reviewed on a periodical basis. Employees' remunerations and related benefits are determined with reference to their performance, qualifications, experience, positions and the performance of the Group.

## CHARGES ON THE GROUP'S ASSETS

The following assets of the Company were pledged at the end of the reporting period for certain banking facilities granted to the Company:

	<b>30 June 2019 HK\$'000 (unaudited)</b>	31 December 2018 HK\$'000 (audited)
Pledged bank deposits	7,295	7,256
Trade receivables	19,081	9,737
	<u>26,376</u>	<u>16,993</u>

## MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the six months ended 30 June 2019, the Group did not have any material acquisitions nor disposals of subsidiaries and affiliated companies.

## FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 30 June 2019, the Group did not have any plans for material investments and capital assets.

## EVENTS AFTER THE REPORTING PERIOD

The Group had no significant event after the end of the reporting period and up to the approval date of these interim financial statements.

## **OTHER INFORMATION**

### **INTERIM DIVIDEND**

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2019 (for the six months ended 30 June 2018: nil).

### **CORPORATE GOVERNANCE PRACTICES**

The Directors consider that incorporating the core elements of good corporate governance in the management structure and internal control procedures of the Group would help to balance the interest of the shareholders, customers and employees of the Company. The Board has adopted the principles and the code provisions of the Corporate Governance Code contained in Appendix 15 of the GEM Listing Rules (the “**CG Code**”) to ensure that the Group’s business activities and decision making processes are regulated in a proper and prudent manner.

The Directors consider that throughout the period from 1 January 2019 to 30 June 2019, (the “**Period**”), the Company has complied with the CG Code.

### **SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company, having made specific enquiry of all Directors, is not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by the Directors during the Period.

### **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

During the Period, the Company did not redeem any of its shares, and neither did the Company nor any of its subsidiaries purchase or sell any of the Company’s shares.

### **COMPETITION AND CONFLICT OF INTERESTS**

As far as the Directors are aware of, none of the Directors nor the controlling shareholders nor any of their respective associates (as defined in the GEM Listing Rules) had any business or interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group or had any other conflict of interests with the Group during the six months ended 30 June 2019.

### **INTERESTS OF COMPLIANCE ADVISER**

The compliance adviser agreement (the “**Compliance Agreement**”) entered into between the Company and LY Capital Limited (“**LY Capital**”) on 17 March 2015 expired on 31 March 2019. As notified by LY capital, save and except for the Compliance Agreement, neither LY Capital nor its directors or employees or close associates had any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) or otherwise in relation to the Company which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules on or prior to the expiry of the Compliance Agreement.

## **AUDIT COMMITTEE**

The Board has established an audit committee (the “**Audit Committee**”) on 2 February 2016, which operates under terms of reference approved by the Board. With effect from 14 March 2019, as Mr. Wong Choi Chak has resigned as an independent non-executive Director and a member of the Audit Committee, Mr. Ng Wing Cheong has been appointed as an independent non-executive Director and a member of the Audit Committee. The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Ng Wing Cheong, Mr. Li Chung Pong, Stephen and Mr. Lam Chon Loi. Mr. Ng Wing Cheong is the chairman of the Audit Committee. The Audit Committee has reviewed the unaudited condensed consolidated financial results of the Group for the six months ended 30 June 2019.

## **PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY**

This announcement is published on the websites of the Stock Exchange ([www.hkgem.com](http://www.hkgem.com)) and the Company ([www.keenocean.com.hk](http://www.keenocean.com.hk)). The interim report of the Company for the six months ended 30 June 2019 containing all the information required by the GEM Listing Rules will be dispatched to the Company’s shareholders and posted on the above websites in due course.

By order of the Board  
**Keen Ocean International Holding Limited**  
**Chung Tin Shing**  
*Executive Director*

Hong Kong, 5 August 2019

*As at the date of this announcement, the executive Directors are Mr. Chung Chi Hang, Larry, Mr. Chung Tin Shing and Mr. Wong Shek Fai, Johnson; and the independent non-executive Directors are Mr. Ng Wing Cheong, Mr. Li Chung Pong, Stephen and Mr. Lam Chon Loi.*

*This announcement will remain on the “Latest Listed Company Information” page on the GEM website at [www.hkgem.com](http://www.hkgem.com) for at least 7 days from the day of its posting. This announcement will also be published on the Company’s website at [www.keenocean.com.hk](http://www.keenocean.com.hk).*