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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 2020**

**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**”) is pleased to announce the unaudited consolidated interim results of the Group for the three months and six months ended 30 June 2020, together with the comparative figures for the corresponding periods in 2019 as follows:

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

For the three months and six months ended 30 June 2020

|   | Notes | For the three months<br>ended 30 June |                                 | For the six months<br>ended 30 June |                                 |
|---|-------|---------------------------------------|---------------------------------|-------------------------------------|---------------------------------|
|   |       | 2020<br>HK\$'000<br>(unaudited)       | 2019<br>HK\$'000<br>(unaudited) | 2020<br>HK\$'000<br>(unaudited)     | 2019<br>HK\$'000<br>(unaudited) |
| <b>Revenue</b>  | 3     | <b>40,342</b>                         | 45,916                          | <b>65,298</b>                       | 88,888                          |
| Cost of sales   |       | <b>(32,638)</b>                       | (40,260)                        | <b>(53,889)</b>                     | (74,177)                        |
| Gross profit  |       | <b>7,704</b>                          | 5,656                           | <b>11,409</b>                       | 14,711                          |
| Other income  | 4     | <b>1,135</b>                          | 248                             | <b>1,159</b>                        | 279                             |
| Other gains and (losses)  |       | <b>(98)</b>                           | 231                             | <b>48</b>                           | 351                             |
| Selling and distribution expenses   |       | <b>(1,807)</b>                        | (1,787)                         | <b>(3,204)</b>                      | (3,324)                         |
| Administrative expenses   |       | <b>(4,631)</b>                        | (5,667)                         | <b>(9,046)</b>                      | (11,280)                        |
| Finance costs   | 5     | <b>(368)</b>                          | (498)                           | <b>(760)</b>                        | (909)                           |
| <b>Profit/(loss) before taxation</b>  |       | <b>1,935</b>                          | (1,817)                         | <b>(394)</b>                        | (172)                           |
| Income tax expense  | 6     | <b>-</b>                              | -                               | <b>-</b>                            | (200)                           |
| <b>Profit/(loss) for the period</b>   | 7     | <b>1,935</b>                          | (1,817)                         | <b>(394)</b>                        | (372)                           |
| <b>Other comprehensive<br/>(expenses)/income after tax:</b><br><i>Items that may be reclassified<br/>to profit or loss:</i> |       |                                       |                                 |                                     |                                 |
| Exchange differences on<br>translating foreign operations   |       | <b>(542)</b>                          | 110                             | <b>(542)</b>                        | 110                             |
| <b>Total comprehensive income/<br/>(expenses) for the period</b>  |       | <b>1,393</b>                          | (1,707)                         | <b>(936)</b>                        | (262)                           |
| <b>Profit/(loss) for the period<br/>attributable to:</b>  |       |                                       |                                 |                                     |                                 |
| Equity holders of the Company   |       | <b>1,936</b>                          | (1,816)                         | <b>(393)</b>                        | (371)                           |
| Non-controlling interests   |       | <b>(1)</b>                            | (1)                             | <b>(1)</b>                          | (1)                             |
|   |       | <b>1,935</b>                          | (1,817)                         | <b>(394)</b>                        | (372)                           |
| <b>Total comprehensive income/<br/>(expenses) for the period<br/>attributable to:</b>                                       |       |                                       |                                 |                                     |                                 |
| Equity holders of the Company   |       | <b>1,394</b>                          | (1,706)                         | <b>(935)</b>                        | (261)                           |
| Non-controlling interests   |       | <b>(1)</b>                            | (1)                             | <b>(1)</b>                          | (1)                             |
|   |       | <b>1,393</b>                          | (1,707)                         | <b>(936)</b>                        | (262)                           |
| <b>Profit/(loss) per share</b>  | 8     |                                       |                                 |                                     |                                 |
| Basic and diluted (HK cents)  |       | <b>0.97</b>                           | (0.91)                          | <b>(0.20)</b>                       | (0.19)                          |

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 June 2020*

|  | <i>Notes</i> | <b>As at<br/>30 June<br/>2020<br/>HK\$'000<br/>(unaudited)</b> | As at<br>31 December<br>2019<br>HK\$'000<br>(audited) |
|--|--------------|--|---|
| <b>Non-current assets</b>                    |              |  |   |
| Property, plant and equipment                | 10           | 10,138   | 11,186  |
| Right-of-use assets                          |              | 1,308  | 2,302   |
|  |              | <b>11,446</b>  | 13,488  |
| <b>Current assets</b>                        |              |  |   |
| Inventories                                  |              | 46,705   | 46,391  |
| Trade and other receivables and prepayments  | 11           | 33,258   | 35,708  |
| Pledged bank deposits                        |              | 7,374  | 7,340   |
| Bank and cash balances                       |              | 7,011  | 3,014   |
|  |              | <b>94,348</b>  | 92,453  |
| <b>Current liabilities</b>                   |              |  |   |
| Trade and other payables and accruals        | 12           | 24,191   | 22,644  |
| Contract liabilities                         |              | 1,043  | 2,025   |
| Bank loans and overdrafts                    |              | 25,102   | 23,858  |
| Amount due to a related party                |              | 2,914  | 2,903   |
| Lease liabilities                            |              | 1,248  | 2,087   |
|  |              | <b>54,498</b>  | 53,517  |
| <b>Net current assets</b>                    |              | <b>39,850</b>  | 38,936  |
| Total assets less current liabilities        |              | <b>51,296</b>  | 52,424  |
| <b>Non-current liabilities</b>               |              |  |   |
| Lease liabilities                            |              | 131  | 323   |
| <b>Net Assets</b>                            |              | <b>51,165</b>  | 52,101  |
| <b>Capital and reserves</b>                  |              |  |   |
| Share capital                                | 13           | 2,000  | 2,000   |
| Reserves                                     |              | 49,153   | 50,088  |
| Equity attributable to owners of the Company |              | <b>51,153</b>  | 52,088  |
| Non-controlling interests                    |              | 12   | 13  |
| <b>TOTAL EQUITY</b>                          |              | <b>51,165</b>  | 52,101  |

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

*For the six months ended 30 June 2020*

## **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 2019 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 2019.

## **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 2020. 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.

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

The Group's operation is solely derived from the manufacture and sale of transformers, switching mode power supply, electronic parts and components and others products, and electric healthcare products during the reporting periods. For the purpose of resource allocation and performance assessment, the chief operating decision maker (i.e. the chief executive officer of the Company) reviewed the overall results and financial position of the Group as a whole which are prepared based on the same accounting policies as those adopted in the financial statements for the year ended 31 December 2019. Accordingly, the Group has only one single operating segment and no further analysis of this single segment is presented.

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

|   | For the three months<br>ended 30 June |                                 | For the six months<br>ended 30 June |                                 |
|---|---------------------------------------|---------------------------------|-------------------------------------|---------------------------------|
|   | 2020<br>HK\$'000<br>(unaudited)       | 2019<br>HK\$'000<br>(unaudited) | 2020<br>HK\$'000<br>(unaudited)     | 2019<br>HK\$'000<br>(unaudited) |
| Sales of transformers   | 23,505                                | 17,494                          | 37,581                              | 39,166                          |
| Sales of switching mode power supply                            | 848                                   | 9,094                           | 1,125                               | 9,561                           |
| Sales of electronic parts and<br>components and others products | 15,930                                | 15,430                          | 26,206                              | 31,051                          |
| Sales of electric healthcare products                           | 59                                    | 3,898                           | 386                                 | 9,110                           |
| Revenue from contracts with customers                           | <u>40,342</u>                         | <u>45,916</u>                   | <u>65,298</u>                       | <u>88,888</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.

|               | Revenue from external customers       |                                 |                                     |                                 | Non-current assets              |                               |
|---------------|---------------------------------------|---------------------------------|-------------------------------------|---------------------------------|---------------------------------|-------------------------------|
|               | For the three months<br>ended 30 June |                                 | For the six months<br>ended 30 June |                                 | As at<br>30 June                | As at<br>31 December          |
|               | 2020<br>HK\$'000<br>(unaudited)       | 2019<br>HK\$'000<br>(unaudited) | 2020<br>HK\$'000<br>(unaudited)     | 2019<br>HK\$'000<br>(unaudited) | 2020<br>HK\$'000<br>(unaudited) | 2019<br>HK\$'000<br>(audited) |
| Hong Kong     | 3,961                                 | 4,517                           | 6,678                               | 8,430                           | 933                             | 1,299                         |
| PRC           | 11,549                                | 12,729                          | 20,135                              | 25,446                          | 10,513                          | 12,189                        |
| Europe        | 9,359                                 | 9,361                           | 15,644                              | 22,802                          | -                               | -                             |
| United States | 5,062                                 | 7,537                           | 6,658                               | 12,804                          | -                               | -                             |
| Others        | 10,411                                | 11,772                          | 16,183                              | 19,406                          | -                               | -                             |
|               | <u>40,342</u>                         | <u>45,916</u>                   | <u>65,298</u>                       | <u>88,888</u>                   | <u>11,446</u>                   | <u>13,488</u>                 |

All timing of revenue recognition is at a point in time for the six months ended 30 June 2020 and 2019.

#### 4. OTHER INCOME

|                          | For the three months<br>ended 30 June |                                 | For the six months<br>ended 30 June |                                 |
|--------------------------|---------------------------------------|---------------------------------|-------------------------------------|---------------------------------|
|                          | 2020<br>HK\$'000<br>(unaudited)       | 2019<br>HK\$'000<br>(unaudited) | 2020<br>HK\$'000<br>(unaudited)     | 2019<br>HK\$'000<br>(unaudited) |
| Bank interest            | 12                                    | 21                              | 36                                  | 43                              |
| Government incentive     | 870                                   | 3                               | 870                                 | 3                               |
| Sales of scrap materials | 253                                   | 224                             | 253                                 | 233                             |
|                          | <u>1,135</u>                          | <u>248</u>                      | <u>1,159</u>                        | <u>279</u>                      |

#### 5. FINANCE COSTS

|                             | For the three months<br>ended 30 June |                                 | For the six months<br>ended 30 June |                                 |
|-----------------------------|---------------------------------------|---------------------------------|-------------------------------------|---------------------------------|
|                             | 2020<br>HK\$'000<br>(unaudited)       | 2019<br>HK\$'000<br>(unaudited) | 2020<br>HK\$'000<br>(unaudited)     | 2019<br>HK\$'000<br>(unaudited) |
| Leases interests            | 21                                    | 99                              | 47                                  | 99                              |
| Interest on bank borrowings | 347                                   | 399                             | 713                                 | 810                             |
|                             | <u>368</u>                            | <u>498</u>                      | <u>760</u>                          | <u>909</u>                      |

#### 6. INCOME TAX EXPENSE

|                           | For the three months<br>ended 30 June |                                 | For the six months<br>ended 30 June |                                 |
|---------------------------|---------------------------------------|---------------------------------|-------------------------------------|---------------------------------|
|                           | 2020<br>HK\$'000<br>(unaudited)       | 2019<br>HK\$'000<br>(unaudited) | 2020<br>HK\$'000<br>(unaudited)     | 2019<br>HK\$'000<br>(unaudited) |
| Current tax:              |                                       |                                 |                                     |                                 |
| Hong Kong Profits Tax     | –                                     | –                               | –                                   | 83                              |
| PRC Enterprise Income Tax | –                                     | –                               | –                                   | 117                             |
|                           | <u>–</u>                              | <u>–</u>                        | <u>–</u>                            | <u>200</u>                      |

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the six months ended 30 June 2020. Hong Kong Profit tax has been provided at a rate of 16.5% based on the estimated assessable profit for the six months ended 30 June 2019.

No provision for PRC Enterprise Income Tax has been made in the financial statement since the Group has sufficient tax losses brought forward to set off against profit for the six months ended 30 June 2020 assessable profit. 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.

## 7. PROFIT/(LOSS) FOR THE PERIOD

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

|                                     | For the three months<br>ended 30 June |                                 | For the six months<br>ended 30 June |                                 |
|-------------------------------------|---------------------------------------|---------------------------------|-------------------------------------|---------------------------------|
|                                     | 2020<br>HK\$'000<br>(unaudited)       | 2019<br>HK\$'000<br>(unaudited) | 2020<br>HK\$'000<br>(unaudited)     | 2019<br>HK\$'000<br>(unaudited) |
| Directors' emoluments               | 353                                   | 355                             | 705                                 | 706                             |
| Cost of inventories sold            | 28,346                                | 30,276                          | 46,360                              | 53,751                          |
| Depreciation of plant and equipment | 501                                   | 607                             | 997                                 | 1,194                           |
| Depreciation of right-of-use assets | 496                                   | 731                             | 994                                 | 1,462                           |
| Research and development expenses   | 517                                   | 617                             | 1,042                               | 1,325                           |
| Staff Costs                         | 6,748                                 | 7,655                           | 12,789                              | 15,671                          |

## 8. LOSS PER SHARE

|   | For the six months ended 30 June |                     |
|---|----------------------------------|---------------------|
|   | 2020<br>(unaudited)              | 2019<br>(unaudited) |
| Loss for the period attributable to owners<br>of the Company (HK\$'000)   | (393)                            | (371)               |
| Number of shares:<br>Weighted average number of ordinary shares<br>for the purpose of basic and diluted loss<br>per share ( <i>Note</i> ) | 200,000,000                      | 200,000,000         |

*Note:*

No diluted loss per share is presented for the six months ended 30 June 2020 and 2019 since there are no potential diluted ordinary shares in issue during both periods.

## 9. DIVIDENDS

No dividend was paid, declared or proposed during the interim periods ended 30 June 2020 and 30 June 2019.

## 10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the Group acquired property, plant and equipment of approximately HK\$252,000 (six months ended 30 June 2019: HK\$2,836,000) and depreciation amounting to approximately HK\$997,000 was provided during the period (six months ended 30 June 2019: HK\$1,194,000).

## 11. 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<br/>2020<br/>HK\$'000<br/>(unaudited)</b> | 31 December<br>2019<br>HK\$'000<br>(audited) |
|-----------------|--|--|
| 0 – 90 days     | 25,901   | 29,280                                       |
| 91 to 180 days  | 585  | 1,418  |
| 181 to 365 days | 1,735  | 1,006  |
| Over 1 year     | 1,244  | 149  |
|                 | <u>29,465</u>  | <u>31,853</u>                                |

## 12. 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<br/>2020<br/>HK\$'000<br/>(unaudited)</b> | 31 December<br>2019<br>HK\$'000<br>(audited) |
|-----------------|--|--|
| 0 – 90 days     | 19,489   | 14,943                                       |
| 91 to 180 days  | 1,540  | 1,130  |
| 181 to 365 days | 1,336  | 1,195  |
| Over 1 year     | 469  | 1,125  |
|                 | <u>22,834</u>  | <u>18,393</u>                                |

## 13. SHARE CAPITAL

|  | <b>30 June<br/>2020<br/>HK\$'000<br/>(unaudited)</b> | 31 December<br>2019<br>HK\$'000<br>(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>                                 |

**14. CAPITAL COMMITMENT**

The Group had no material capital commitment as at 30 June 2020 and 31 December 2019.

**15. CONTINGENT LIABILITIES**

The Group had no material contingent liabilities as at 30 June 2020 and 31 December 2019.

**16. RELATED-PARTY TRANSACTIONS**

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

| <b>Name of related parties</b>                   | <b>Relationship</b> |
|--|---------------------|
|  | <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 Group entered into the following transactions with related parties during the reporting period:**

|   | <b>For the six months ended 30 June</b> |                    |
|---|---|--------------------|
|   | <b>2020</b>                             | <b>2019</b>        |
|   | <b>HK\$'000</b>                         | <b>HK\$'000</b>    |
|   | <b>(unaudited)</b>                      | <b>(unaudited)</b> |
| Rental paid to a related company                |   |                    |
| T-Lab Electronics & Plastics (He Yuan) Co., Ltd | <b>816</b>                              | 1,100              |

(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<br/>ended 30 June</b> |             | <b>For six months<br/>ended 30 June</b> |             |
|----------------------------------|---|-------------|---|-------------|
|                                  | <b>2020</b>                               | 2019        | <b>2020</b>                             | 2019        |
|                                  | <b>HK\$'000</b>                           | HK\$'000    | <b>HK\$'000</b>                         | HK\$'000    |
|                                  | <b>(unaudited)</b>                        | (unaudited) | <b>(unaudited)</b>                      | (unaudited) |
| Salaries and other benefits      | <b>386</b>                                | 479         | <b>824</b>                              | 957         |
| Retirement benefit contributions | <b>17</b>                                 | 20          | <b>34</b>                               | 40          |
|                                  | <b>403</b>                                | 499         | <b>858</b>                              | 997         |

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

**17. 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.

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

The unaudited condensed consolidated financial statements for the three months and six months ended 30 June 2020 were approved and authorised for issue by the Board on 10 August 2020.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

During the period under review, the Group principally engaged in the design, development, production and sale of transformers, switching mode power supplies, electric healthcare products, other electronic parts and components and others 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 brand name "Keen Ocean", while all electronic parts and components as well as electric healthcare products were sold on an original equipment manufacturer (OEM) basis. Among the products manufactured and sold, transformers remained the Group's flagship products and represented approximately 57.55% of the Group's sales for the six months ended 30 June 2020 (for the six months ended 30 June 2019: approximately 44.06%). The switching mode power supply represented approximately 1.72% of the Group's sales for the six months ended 30 June 2020 (for the six months ended 30 June 2019: approximately 10.76%). The electronic parts and components and others products represented approximately 40.13% of the Group's sales for the six months ended 30 June 2020 (for the six months ended 30 June 2019: approximately 34.93%). The electric healthcare products accounted for approximately 0.59% of the Group's sales for the six months ended 30 June 2020 (for the six months ended 30 June 2019: 10.25%).

Revenue generated by the Group dropped during the period under review as compared to the corresponding period in the previous year. The outbreak of COVID-19 and the corresponding measures implemented by countries across the world, including suspension of business activities, led to the slowdown of purchase orders and the postponement of shipment and/or delivery schedule of the goods ordered.

The Group's manufacturing process mainly involved copper and steel. During the period under review, the material costs remained stable. On the other hand, the management of the Group strived to improve the efficiency of production in order to reduce production waste and hence lowered the overall costs of production.

The operating margin has slightly improved during the period under review. It was mainly attributable to lower staff costs. The Group streamlined manufacturing processes and optimized quality control, and hence enhanced overall productivity. Besides, the Group was supported by government subsidies provided as assistance and support to the manufacturing sector in fighting through the hard economic times following the outbreak of COVID-19.

During the period under review, the management of the Group stayed connected with existing customers and closely followed up on the revised delivery schedule in order to maintain and solidify business relationships.

On the other hand, the Group continued its advertising and marketing campaigns to promote its products. These campaigns included placing advertisements in renowned industrial magazines such as Global Source. Due to the travel restrictions and the mandatory quarantine measures imposed in response to COVID-19, most exhibitions and physical marketing events were cancelled. The Group actively explored other digitally-enabled channels to stay connected with existing and potential customers during the period under review.

## **FINANCIAL REVIEW**

The Group's revenue decreased by approximately HK\$23.59 million, or 26.54%, from approximately HK\$88.89 million for the six months ended 30 June 2019 to approximately HK\$65.30 million for the six months ended 30 June 2020. Such decrease was primarily due to the outbreak of COVID-19 since January 2020. The Group's customers postponed shipment and/or delivery schedule of the goods ordered.

Cost of sales decreased by approximately HK\$20.29 million, or 27.35%, from approximately HK\$74.18 million for the six months ended 30 June 2019 to approximately HK\$53.89 million for the six months ended 30 June 2020. Such decrease was primarily due to the reduction of turnover for the six months ended 30 June 2020, which resulted from the outbreak of COVID-19 and the slowdown of purchase orders and the postponement of shipment and/or delivery schedule of goods ordered.

As a result, the Group's gross profit decreased by approximately HK\$3.30 million, or 22.45%, from approximately HK\$14.71 million for the six months ended 30 June 2019 to approximately HK\$11.41 million for the six months ended 30 June 2020. Gross profit margin increased from 16.55% for the six months ended 30 June 2019 to 17.47% for the six months ended 30 June 2020. Such increase was attributable to the effort of the management in improving the efficiency of production in order to reduce production waste as well as the overall costs of production.

Other income increased by approximately HK\$0.88 million, or 314.29%, from approximately HK\$0.28 million for the six months ended 30 June 2019 to approximately HK\$1.16 million for the six months ended 30 June 2020. Such increase was mainly due to the increase in government subsidies. The Group received a package of subsidiary from the government as assistance and support to the manufacturing sector in fighting through the hard economic times following the outbreak of COVID-19.

Other gains decreased by approximately HK\$303,000, or 86.33%, from approximately HK\$351,000 for the six months ended 30 June 2019 to approximately HK\$48,000 for the six months ended 30 June 2020. Such decrease 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 settled in US dollars at a pre-determined rate fixed on invoice date.

Selling and distribution expenses decreased by approximately HK\$0.12 million, or 3.61%, from approximately HK\$3.32 million for the six months ended 30 June 2019 to approximately HK\$3.20 million for the six months ended 30 June 2020. Such decrease was mainly attributable to lower transportation costs amid the decline of purchase orders and the postponement of delivery during the period under review. The costs of distribution did not drop proportionately due to the fixed distribution overhead which did not vary as a result of lower turnover, and the increase in the shipping and handling charges amid implementation of regulatory measures by countries across the world such as travel restriction and limitation of transportation.

Administrative expenses decreased by approximately HK\$2.23 million, or 19.77%, from approximately HK\$11.28 million for the six months ended 30 June 2019 to approximately HK\$9.05 million for the six months ended 30 June 2020. Such decrease was mainly attributable to lower expenses in staff costs and travelling. The Group streamlined manufacturing processes and optimized quality control, and hence enhanced overall productivity. And due to the travel restrictions and the mandatory quarantine measures imposed in response to COVID-19, the Group gradually developed internal communication via digitally-enabled channels and saved costs in travelling. On the other hand, the Group recorded lower social security contributions whilst the base of contributions was temporarily adjusted by the government in easing the burden of manufacturers.

Finance costs decreased by approximately HK\$149,000, or 16.40%, from approximately HK\$909,000 for the six months ended 30 June 2019 to approximately HK\$760,000 for the six months ended 30 June 2020. Such decrease was mainly attributable to less bank expenses arising from the short-term factoring service during the period under review.

Income tax expenses decreased by approximately HK\$200,000, or 100.00%, from approximately HK\$200,000 for the six months ended 30 June 2019 to HK\$nil for the six months ended 30 June 2020. Such decrease was mainly due to no provision for Hong Kong Profits Tax and PRC enterprise income tax being required since the Group has no assessable profit for six months ended 30 June 2020.

As a result of the above, the Group recorded a loss of approximately HK\$0.39 million for the six months ended 30 June 2020 (for the six months ended 30 June 2019: loss of approximately HK\$0.37 million).

## **PROSPECT**

The spread of COVID-19 has inflicted huge economic uncertainties and disruption to production and supply chains around the world. Despite the extraordinary efforts of governments with fiscal and monetary policy supports in helping manufacturers countering the downturn, the Group expects further business challenges including volatile demand patterns, inconsistent shipment timeline as well as inflated delivery costs.

The management of the Group is determined to rise to these challenges. The production team maintains sufficient inventory buffer to cope with the demand and supply chain uncertainties. The management also strives to sustain the Group's competitive advantages through solidifying business relationships with existing customers through various digitally-enabled channels including video conferencing.

Moreover, the management of the Group has been actively expanding business relationship through different marketing channels including Global Source and online advertisement platforms. After continuous delivery of products with satisfactory quality control, the Group has recorded increasing orders from newly developed customer base. With extended effort in business development, the management of the Group is confident that the Group can accelerate business growth once the market demand starts to revive.

In the meantime, the management of the Group is closely monitoring the development of the situation and accordingly evaluates the impact on the financial position and performance of the Group. Also, the management of the Group pays careful attention to any changes to regulations and instructions in compliance with industrial safety and public health policies; and deploys appropriate preventive measures to enhance protection of the Group's employees by providing a healthy and hygienic environment both in the office and at the sites.

## **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 2020, the Group had a healthy financial position with net assets amounted to approximately HK\$51.17 million (31 December 2019: approximately HK\$52.10 million). Net current assets stood at approximately HK\$39.85 million (31 December 2019: approximately HK\$38.94 million).

As at 30 June 2020, the shareholder's fund amounted to approximately HK\$51.17 million (31 December 2019: approximately HK\$52.10 million). Current assets amounted to approximately HK\$94.35 million (31 December 2019: approximately HK\$92.45 million), mainly comprising inventories, trade and other receivables and prepayments, pledged bank deposits, bank and cash balance. Current liabilities amounted to approximately HK\$54.50 million (31 December 2019: approximately HK\$53.52 million), mainly comprising trade and other payables and accruals, bank borrowings and overdrafts.

As at 30 June 2020, the Group's bank and cash balance amounted to approximately HK\$7.01 million (31 December 2019: approximately HK\$3.01 million). Net asset value per share was HK\$0.26 (31 December 2019: HK\$0.26).

As at 30 June 2020, 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 0.35 (31 December 2019: approximately 0.40). Such decrease was mainly due to higher bank balances recorded after the receipt of shipment payment and government incentives.

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 2020, 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 of the Group 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 2020, the Group did not have any significant investment held (31 December 2019: nil).

### **CONTINGENT LIABILITIES**

As at 30 June 2020, the Group did not have any material contingent liabilities (31 December 2019: nil).

### **CAPITAL COMMITMENT**

As at 30 June 2020, the Group did not have any significant capital commitment (31 December 2019: nil).

## EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2020, the Group had a approximately 390 employees (31 December 2019: approximately 490 employees), including the Directors. Total staff costs excluding Directors' remuneration for the six months ended 30 June 2020 amounted to approximately HK\$12.79 million (for the six months ended 30 June 2019: approximately HK\$15.67 million). Remuneration packages including staff benefits are maintained at a competitive level and reviewed on a periodic 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<br/>2020</b> | 31 December<br>2019 |
|-----------------------|-------------------------|---------------------|
|                       | <i>HK\$'000</i>         | <i>HK\$'000</i>     |
|                       | (unaudited)             | (audited)           |
| Pledged bank deposits | 7,374                   | 7,340               |
| Trade receivables     | 5,138                   | 4,393               |
|                       | <u>12,512</u>           | <u>11,734</u>       |

## MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the six months ended 30 June 2020, 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 2020, 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 DIVIDED**

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2020 (for the six months ended 30 June 2019: nil).

### **SHARE OPTION SCHEME**

The Company has a share option scheme which was approved and adopted by the **shareholders** of the Company by way of the written resolutions passed on 2 February 2016 (the “**Share Option Scheme**”). No share options were granted, exercised or cancelled by the Company under the Share Option Scheme during the period from 1 January 2020 to 30 June 2020 and there were no outstanding share options under the Share Option Scheme as at 30 June 2020 and up to the date of this announcement.

### **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 2020 to 30 June 2020, (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 2020.

## **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. The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Cheung Yee Tak, Jonathan, Mr. Li Chung Pong, Stephen and Mr. Lam Chon Loi. Mr. Cheung Yee Tak, Jonathan 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 2020.

## **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 2020 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, 10 August 2020

*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. Cheung Yee Tak, Jonathan, 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).*