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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 2021

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 2021, together with the comparative figures for the corresponding periods in 2020 as follows:

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

For the three months and six months ended 30 June 2021

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Revenue	3	58,645	40,342	116,187	65,298
Cost of sales		(48,983)	(32,638)	(95,056)	(53,889)
Gross profit		9,662	7,704	21,131	11,409
Other income	4	220	1,135	627	1,159
Other gains/(losses)		32	(98)	93	48
Selling and distribution expenses		(1,904)	(1,807)	(3,855)	(3,204)
Administrative expenses		(4,623)	(4,631)	(9,751)	(9,046)
Finance costs	5	(446)	(368)	(875)	(760)
Profit/(loss) before taxation		2,941	1,935	7,370	(394)
Income tax expense	6	–	–	–	–
Profit/(loss) for the period	7	2,941	1,935	7,370	(394)
Other comprehensive income/(expenses) after tax:					
<i>Items that may be reclassified to profit or loss:</i>					
Exchange differences on translating foreign operations		468	(542)	472	(542)
Total comprehensive income/ (expenses) for the period		3,409	1,393	7,842	(936)
Profit/(loss) for the period attributable to:					
Owners of the Company		2,941	1,936	7,370	(393)
Non-controlling interests		–	(1)	–	(1)
		2,941	1,935	7,370	(394)
Total comprehensive income/ (expenses) for the period attributable to:					
Owners of the Company		3,409	1,394	7,842	(935)
Non-controlling interests		–	(1)	–	(1)
		3,409	1,393	7,842	(936)
Earnings/(loss) per share					
Basic and diluted (HK cents)	8	1.47	0.97	3.69	(0.20)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	<i>Notes</i>	As at 30 June 2021 <i>HK\$'000</i> (unaudited)	As at 31 December 2020 <i>HK\$'000</i> (audited)
Non-current assets			
Property, plant and equipment	10	11,884	10,735
Right-of-use assets		4,229	314
		16,113	11,049
Current assets			
Inventories		75,417	66,047
Trade and other receivables and prepayments	11	48,136	37,535
Pledged bank deposits		7,267	7,266
Bank and cash balances		4,196	6,957
		135,016	117,805
Current liabilities			
Trade and other payables and accruals	12	47,469	39,521
Contract liabilities		1,723	1,196
Bank loans and overdrafts		29,779	28,407
Amount due to a related party		4,094	3,469
Lease liabilities		1,730	323
		84,795	72,916
Net current assets		50,221	44,889
Total assets less current liabilities		66,334	55,938
Non-current liabilities			
Lease liabilities		2,554	–
Net Assets		63,780	55,938
Capital and reserves			
Share capital	13	2,000	2,000
Reserves		61,774	53,932
Equity attributable to owners of the Company		63,774	55,932
Non-controlling interests		6	6
TOTAL EQUITY		63,780	55,938

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2021

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 2020 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 2020.

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 2021. 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 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 2020. 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 ended 30 June		For the six months ended 30 June	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Sales of transformers	30,748	23,505	57,527	37,581
Sales of switching mode power supply	932	848	2,077	1,125
Sales of electronic parts and components	26,964	15,930	56,500	26,206
Sales of electric healthcare products	1	59	83	386
Revenue from contracts with customers	<u>58,645</u>	<u>40,342</u>	<u>116,187</u>	<u>65,298</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 ended 30 June		For the six months ended 30 June		As at 30 June	As at 31 December
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)	2020 HK\$'000 (audited)
Hong Kong	2,023	3,961	4,829	6,678	421	695
PRC	14,970	11,549	25,701	20,135	15,692	10,354
Europe	11,579	9,359	24,058	15,644	-	-
United States	6,753	5,062	14,553	6,658	-	-
India	9,190	2,351	19,511	3,774	-	-
Others	14,130	8,060	27,535	12,409	-	-
	<u>58,645</u>	<u>40,342</u>	<u>116,187</u>	<u>65,298</u>	<u>16,113</u>	<u>11,049</u>

All timing of revenue recognition is at a point in time for the six months ended 30 June 2021 and 2020.

4. OTHER INCOME

	For the three months ended 30 June		For the six months ended 30 June	
	2021 <i>HK\$'000</i> (unaudited)	2020 <i>HK\$'000</i> (unaudited)	2021 <i>HK\$'000</i> (unaudited)	2020 <i>HK\$'000</i> (unaudited)
Bank interest	1	12	3	36
Government incentive	32	870	437	870
Sales of scrap materials	187	253	187	253
	<u>220</u>	<u>1,135</u>	<u>627</u>	<u>1,159</u>

5. FINANCE COSTS

	For the three months ended 30 June		For the six months ended 30 June	
	2021 <i>HK\$'000</i> (unaudited)	2020 <i>HK\$'000</i> (unaudited)	2021 <i>HK\$'000</i> (unaudited)	2020 <i>HK\$'000</i> (unaudited)
Leases interests	58	21	121	47
Interest on bank borrowings	388	347	754	713
	<u>446</u>	<u>368</u>	<u>875</u>	<u>760</u>

6. INCOME TAX EXPENSE

	For the three months ended 30 June		For the six months ended 30 June	
	2021 <i>HK\$'000</i> (unaudited)	2020 <i>HK\$'000</i> (unaudited)	2021 <i>HK\$'000</i> (unaudited)	2020 <i>HK\$'000</i> (unaudited)
Current tax:				
Hong Kong Profits Tax	-	-	-	-
PRC Enterprise Income Tax	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

No provision for Hong Kong Profits Tax has been made in the financial statements since the Group has sufficient tax losses brought forward to set off against current year's assessable profit for the six months ended 30 June 2021. 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 Profits Tax has been provided at a rate of 16.5% based on the estimated assessable profit for the six months ended 30 June 2021 and 2020.

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 2021 and 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 2021 and 2020.

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 ended 30 June		For the six months ended 30 June	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Directors' emoluments	328	353	705	705
Cost of inventories sold	48,983	28,346	95,056	46,360
Depreciation of plant and equipment	329	501	836	997
Depreciation of right-of-use assets	504	496	1,009	994
Research and development expenses	662	517	1,490	1,042
Staff Costs	10,331	6,748	19,010	12,789

8. EARNINGS/(LOSS) PER SHARE

	For the six months ended 30 June	
	2021 (unaudited)	2020 (unaudited)
Earnings/(loss) for the period attributable to owners of the Company (HK\$'000)	7,370	(393)
Number of shares: Weighted average number of ordinary shares for the purpose of basic and diluted earnings/(loss) per share (<i>Note</i>)	200,000,000	200,000,000

Note:

No diluted earnings/(loss) per share is presented for the six months ended 30 June 2021 and 2020 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 2021 and 30 June 2020.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, the Group acquired property, plant and equipment of approximately HK\$1,985,000 (six months ended 30 June 2020: HK\$252,000) and depreciation amounting to approximately HK\$836,000 was provided during the period (six months ended 30 June 2020: HK\$997,000).

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:

	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
0 – 90 days	40,026	31,186
91 to 180 days	1,697	1,321
181 to 365 days	307	239
Over 1 year	619	486
	<u>42,649</u>	<u>486</u>
	<u>42,649</u>	<u>33,232</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:

	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
0 – 90 days	40,417	24,803
91 to 180 days	1,150	3,216
181 to 365 days	233	6,179
Over 1 year	447	644
	<u>42,247</u>	<u>34,842</u>
	<u>42,247</u>	<u>34,842</u>

13. SHARE CAPITAL

	30 June 2021 HK\$'000 (unaudited)	31 December 2020 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>

14. CAPITAL COMMITMENT

The Group had no material capital commitment as at 30 June 2021 and 31 December 2020.

15. CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 June 2021 and 31 December 2020.

16. 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 Group entered into the following transactions with related parties during the reporting period:

	For the six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Rental paid to a related company		
T-Lab Electronics & Plastics (He Yuan) Co., Ltd	875	816

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

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

	For three months ended 30 June		For six months ended 30 June	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Salaries and other benefits	518	386	1,035	824
Retirement benefit contributions	23	17	45	34
	541	403	1,080	858

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 2021 were approved and authorised for issue by the Board on 9 August 2021.

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. 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 49.51% of the Group's sales for the six months ended 30 June 2021 (for the six months ended 30 June 2020: approximately 57.55%). The switching mode power supply represented approximately 1.79% of the Group's sales for the six months ended 30 June 2021 (for the six months ended 30 June 2020: approximately 1.72%). The electronic parts and components represented approximately 48.63% of the Group's sales for the six months ended 30 June 2021 (for the six months ended 30 June 2020: approximately 40.13%). The electric healthcare products accounted for approximately 0.07% of the Group's sales for the six months ended 30 June 2021 (for the six months ended 30 June 2020: approximately 0.59%).

Revenue generated by the Group increased significantly during the period under review as compared to the corresponding period in the previous year. It was mainly due to the resumption of shipment and/or delivery schedule of goods which had initially been postponed due to the outbreak of COVID-19. With a low comparison base and the resumption of postponed shipment and/or delivery schedule of goods, the Group recorded a sharp period-to-period growth. Further to that, an existing customer of the Company that engaged in the production of components for clean energy appliances, had increased the placement of purchase orders for electronic parts and components during the period under review to meet the continuing surge in demand of clean energy appliances.

The Group's manufacturing process mainly involved copper and steel. The management of the Group observed the average copper price had been surging and hence strived to improve the efficiency of production in order to reduce production waste and the overall costs of production.

The operating margin has slightly improved during the period under review. It was mainly attributable to the effort of the management in improving the efficiency of production. The Group also 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 after the outbreak of COVID-19.

During the period under review, the management of the Group stayed connected with existing customers and closely followed up with the revised delivery schedule in order to maintain and solidify business relationships. The Group continued to place advertisements in renowned industrial magazines. The Company took the opportunity of the recovery of manufacturing sector and was able to resume the postponed shipment and/or delivery schedule of goods during the period under review. However, due to the travel restrictions and the mandatory quarantine measures in response to COVID-19, the Group was not able to promote its products through traditional exhibitions and physical marketing events.

The Group has been paying close attention to the development of the pandemic. The Group has deployed appropriate preventive measures to enhance the vigilance and self-protection awareness of its employees, and to protect them by providing a healthy and hygienic working environment.

FINANCIAL REVIEW

The Group's revenue increased by approximately HK\$50.89 million, or 77.93%, from approximately HK\$65.30 million for the six months ended 30 June 2020 to approximately HK\$116.19 million for the six months ended 30 June 2021. Such increase was primarily due to the resumption of shipment and/or delivery schedule of goods which had initially been postponed due to the outbreak of COVID-19, and the increase in the placement of purchase orders for electronic parts and components from an existing customer, which engaged in the production of components for clean energy appliances.

Cost of sales increased by approximately HK\$41.17 million, or 76.40%, from approximately HK\$53.89 million for the six months ended 30 June 2020 to approximately HK\$95.06 million for the six months ended 30 June 2021. Such increase was in line with the increase in our revenue during the period under review.

As a result, the Group's gross profit increased significantly by approximately HK\$9.72 million, or 85.19%, from approximately HK\$11.41 million for the six months ended 30 June 2020 to approximately HK\$21.13 million for the six months ended 30 June 2021. Gross profit margin slightly increased from 17.47% for the six months ended 30 June 2020 to 18.19% for the six months ended 30 June 2021. 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 decreased by approximately HK\$0.53 million, or 45.69%, from approximately HK\$1.16 million for the six months ended 30 June 2020 to approximately HK\$0.63 million for the six months ended 30 June 2021. Such decrease was mainly due to a decrease in government subsidies received by the Company for the six months ended 30 June 2021, as compared with a package of one-off subsidies granted from the government of the PRC during the six months ended 30 June 2020.

Other gains/(losses) increased by approximately HK\$45,000, or 93.75%, from approximately HK\$48,000 for the six months ended 30 June 2020 to approximately HK\$93,000 for the six months ended 30 June 2021. Such increase 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 increased by approximately HK\$0.65 million, or 20.31%, from approximately HK\$3.20 million for the six months ended 30 June 2020 to approximately HK\$3.85 million for the six months ended 30 June 2021. Such increase was mainly attributable to increase of the freight charges and transportation expenses as a result of the resumption of shipment and/or delivery schedule of goods. However, since the fixed distribution overhead did not vary as the result of higher turnover, the average costs of distribution including shipping and handling charges reduced amid the resumption of shipment and/or delivery schedule of goods.

Administrative expenses increased by approximately HK\$0.70 million, or 7.73%, from approximately HK\$9.05 million for the six months ended 30 June 2020 to approximately HK\$9.75 million for the six months ended 30 June 2021. Such increase was mainly attributable to higher expenses in staff costs, travelling and electricity during the gradual resumption of shipment and/or delivery schedule of goods. On the other hand, the Group recorded higher social security contributions and expenses related to rent and rates as compared to the same period in 2020 since the base of contributions which was initially adjusted by the government in easing the burden of manufacturers returned to the normal level.

Finance costs slightly increased by approximately HK\$115,000, or 15.14%, from approximately HK\$760,000 for the six months ended 30 June 2020 to approximately HK\$875,000 for the six months ended 30 June 2021. Such increase was mainly attributable to the accounting recognition on leases interests expenses during the period under review.

No income tax expenses were recorded for the six months ended 30 June 2021 and for the six months ended 30 June 2020. Such results were mainly attributable to no provision for profits tax being made since the Group had sufficient tax losses brought forward to set off against its assessable profits for period under review, and no assessable profit for the six months ended 30 June 2020.

As a result of the above, the Group recorded a profit of approximately HK\$7.37 million for the six months ended 30 June 2021 (for the six months ended 30 June 2020: loss of approximately HK\$0.39 million).

PROSPECT

The spread of COVID-19 has triggered huge economic uncertainties and disruption to production and supply chains around the world. The Group had experienced business challenges including volatile demand patterns, inconsistent shipment timeline as well as inflated delivery costs.

Despite during the most recent quarter, the global economic output demonstrated recovery especially against the low base of comparison in the corresponding period in 2020, the management of the Group remains conservative and expects the economy may remain below pre-pandemic trends for a prolonged period. On the other hand, the management of the Group also anticipates that the extensive wave of global debt accumulation shall likely set off the appreciation of material costs and hence increase the cost burden to the Group's production lines.

The management of the Group is determined to rise to these challenges. The production team maintains sufficient inventory buffer in cope with the demand and supply chain uncertainties. The management also strives to sustain the Group's competitive advantages through solidifying business relationships.

In addition, the management spotted a rising demand of clean energy appliances as the global policies leaned more towards renewability and sustainability. The Company carries out research on relevant products and actively explores the potential market through different marketing channels. Besides, after continuous delivery of products with satisfactory quality control and the strong demographics and growing consumption in India, the Group recorded increasing orders from the newly developed customer base and an additional production line was established in July 2021 to cope with the increasing demand from the customers. With extended effort in business development, the management is confident that the Group can accelerate business growth.

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

In the long run, the Group is confident that it shall seize the opportunity after the pandemic and lay the foundations for a durable and sustainable growth with its continuous effort and solid customer base.

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 2021, the Group had a healthy financial position with net assets amounted to approximately HK\$63.78 million (31 December 2020: approximately HK\$55.94 million). Net current assets stood at approximately HK\$50.22 million (31 December 2020: approximately HK\$44.89 million).

As at 30 June 2021, the shareholder's fund amounted to approximately HK\$63.77 million (31 December 2020: approximately HK\$55.94 million). Current assets amounted to approximately HK\$135.02 million (31 December 2020: approximately HK\$117.81 million), mainly comprising inventories, trade and other receivables and prepayments, pledged bank deposits, bank and cash balance. Current liabilities amounted to approximately HK\$84.80 million (31 December 2020: approximately HK\$72.92 million), mainly comprising trade and other payables and accruals, bank borrowings and overdrafts.

As at 30 June 2021, the Group's bank and cash balance amounted to approximately HK\$4.20 million (31 December 2020: approximately HK\$7.00 million). Net asset value per share was HK\$0.32 (31 December 2020: HK\$0.28).

As at 30 June 2021, 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 0.40 (31 December 2020: approximately 0.38). Such increase was mainly due to (i) lower bank balances recorded after purchases of inventory for dealing with the recovery of purchase orders and the resumption of shipment and/or delivery schedule; and (ii) the increase in the bank borrowings during the period under review.

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

CAPITAL STRUCTURE

As at 30 June 2021, 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 arises.

SIGNIFICANT INVESTMENT HELD

As at 30 June 2021, the Group did not have any significant investment held (31 December 2020: nil).

CONTINGENT LIABILITIES

As at 30 June 2021, the Group did not have any material contingent liabilities (31 December 2020: nil).

CAPITAL COMMITMENT

As at 30 June 2021, the Group did not have any significant capital commitment (31 December 2020: nil).

EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2021, the Group had approximately 405 employees (31 December 2020: approximately 432 employees), including the Directors. Total staff costs excluding Directors' remuneration for the six months ended 30 June 2021 amounted to approximately HK\$19.01 million (for the six months ended 30 June 2020: approximately HK\$12.79 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:

	30 June 2021	31 December 2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
Pledged bank deposits	7,267	7,266
Trade receivables	7,640	2,420
	14,907	9,686

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the six months ended 30 June 2021, 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 2021, 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 2021 (for the six months ended 30 June 2020: 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 2021 to 30 June 2021 and there were no outstanding share options under the Share Option Scheme as at 30 June 2021 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 2021 to 30 June 2021, (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 2021.

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 2021.

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) and the Company (www.keenocan.com.hk). The interim report of the Company for the six months ended 30 June 2021 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, 9 August 2021

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 for at least 7 days from the day of its posting. This announcement will also be published on the Company’s website at www.keenocan.com.hk.