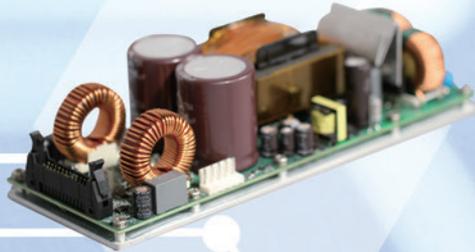


# KEEN OCEAN INTERNATIONAL HOLDING LIMITED

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

Stock Code : 8070



## INTERIM REPORT 2021



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

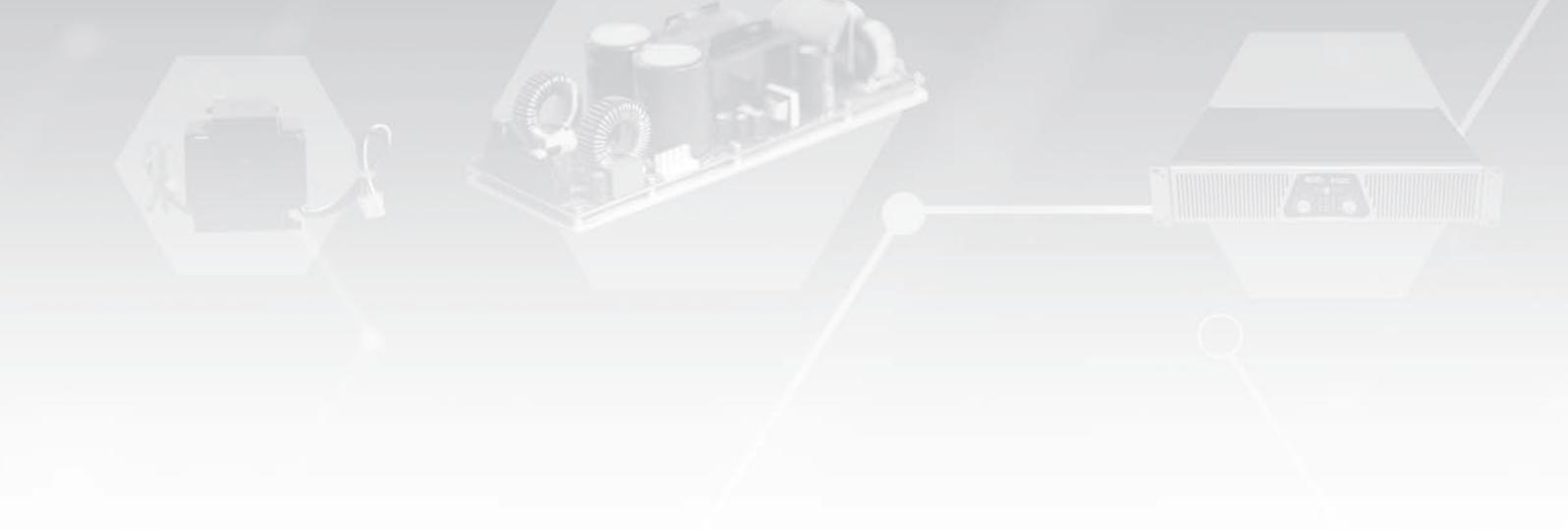
**GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Main Board. Prospective investors should be aware of the potential risks of investing in such companies and should make the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

*Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.*

*This report, 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 report 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 report misleading.*

*This report 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 report will also be published on the Company’s website at [www.keenocean.com.hk](http://www.keenocean.com.hk).*



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## CORPORATE INFORMATION

### **BOARD OF DIRECTORS**

#### **Executive directors**

Mr. Chung Chi Hang, Larry (*Chairman*)  
Mr. Chung Tin Shing  
Mr. Wong Shek Fai, Johnson

#### **Independent non-executive directors**

Mr. Li Chung Pong, Stephen  
Mr. Lam Chon Loi  
Mr. Cheung Yee Tak, Jonathan

### **COMPANY SECRETARY**

Mr. Tang Siu Fung Calvin

### **COMPLIANCE OFFICER**

Mr. Wong Shek Fai, Johnson

### **BOARD COMMITTEES**

#### **Audit committee**

Mr. Cheung Yee Tak, Jonathan (*Chairman*)  
Mr. Li Chung Pong, Stephen  
Mr. Lam Chon Loi

#### **Nomination committee**

Mr. Li Chung Pong, Stephen (*Chairman*)  
Mr. Lam Chon Loi  
Mr. Chung Tin Shing

#### **Remuneration committee**

Mr. Lam Chon Loi (*Chairman*)  
Mr. Chung Chi Hang, Larry  
Mr. Cheung Yee Tak, Jonathan

#### **Risk management committee**

Mr. Chung Tin Shing (*Chairman*)  
Mr. Wong Shek Fai, Johnson  
Mr. Lam Chon Loi

### **AUTHORISED REPRESENTATIVES**

Mr. Chung Chi Hang, Larry  
Mr. Chung Tin Shing

### **COMPANY'S WEBSITE**

<http://www.keenocan.com.hk>

### **AUDITOR**

ZHONGHUI ANDA CPA Limited  
Unit 701, 7/F.  
Citicorp Centre  
18 Whitfield Road  
Causeway Bay  
Hong Kong

### **REGISTERED OFFICE**

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

### **PRINCIPAL PLACE OF BUSINESS IN CHINA**

East of Xinggong Avenue  
and South of Keqi Road  
High-tech Development Zone  
Heyuan City  
Guangdong Province  
The PRC

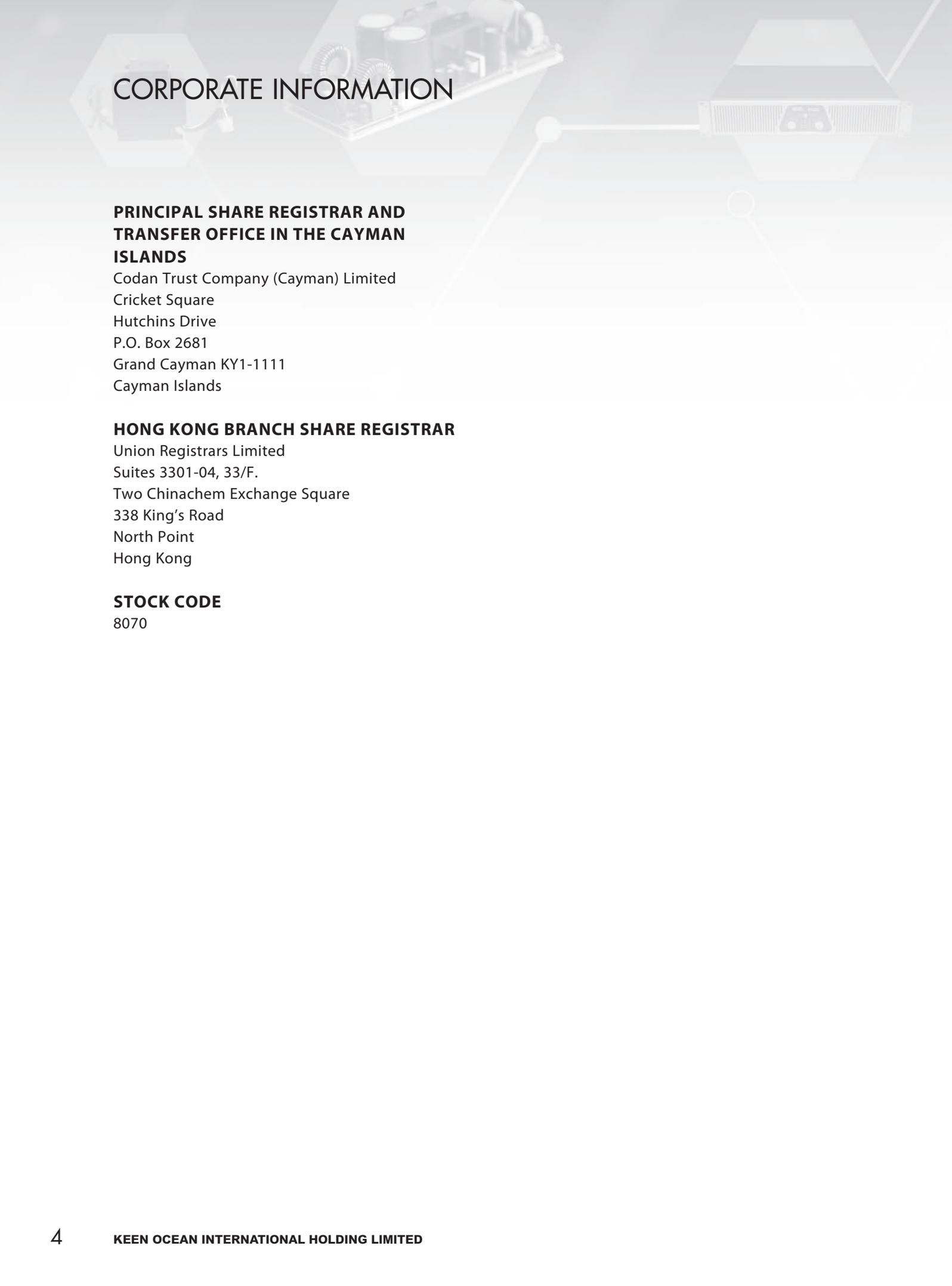
### **PRINCIPAL PLACE OF BUSINESS IN HONG KONG**

Unit 5, 34th Floor  
Cable TV Tower  
9 Hoi Shing Road  
Tsuen Wan  
New Territories  
Hong Kong

### **PRINCIPAL BANKERS**

The Hong Kong and Shanghai Banking  
Corporation Limited  
1 Queen's Road Central  
Hong Kong

DBS Bank (Hong Kong) Limited  
11th Floor  
The Center  
99 Queen's Road Central  
Hong Kong



## CORPORATE INFORMATION

### **PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS**

Codan Trust Company (Cayman) Limited  
Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

### **HONG KONG BRANCH SHARE REGISTRAR**

Union Registrars Limited  
Suites 3301-04, 33/F.  
Two Chinachem Exchange Square  
338 King's Road  
North Point  
Hong Kong

### **STOCK CODE**

8070

# 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, as well as 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

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 an 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.



## MANAGEMENT DISCUSSION AND ANALYSIS

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 have reduced despite 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 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).

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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 buffer inventory to 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 Group's 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 the 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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, as well as 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 activities, 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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:

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

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

For the three months and six months ended 30 June 2021

The board of Directors (the “Board”) is pleased to present 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:

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

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Notes	As at 30 June 2021 HK\$'000 (unaudited)	As at 31 December 2020 HK\$'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment	10	11,884	10,735
Right-of-use assets		4,229	314
		<u>16,113</u>	<u>11,049</u>
<b>Current assets</b>			
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
		<u>135,016</u>	<u>117,805</u>
<b>Current liabilities</b>			
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
		<u>84,795</u>	<u>72,916</u>
<b>Net current assets</b>		<u>50,221</u>	44,889
<b>Total assets less current liabilities</b>		<u>66,334</u>	<u>55,938</u>
<b>Non-current liabilities</b>			
Lease liabilities		2,554	–
<b>Net Assets</b>		<u>63,780</u>	<u>55,938</u>
<b>Capital and reserves</b>			
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
<b>TOTAL EQUITY</b>		<u>63,780</u>	<u>55,938</u>

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Attributable to owners of the Company						Non- controlling interests	Total equity
	Share capital	Share Premium	Special reserve	Retained profits	Translation reserve	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
At 1 January 2020 (audited)	2,000	24,973	3,000	21,636	479	52,088	13	52,101
Loss and total comprehensive expense for the period (unaudited)	-	-	-	(393)	(542)	(935)	(1)	(936)
At 30 June 2020 (unaudited)	<u>2,000</u>	<u>24,973</u>	<u>3,000</u>	<u>21,243</u>	<u>(63)</u>	<u>51,153</u>	<u>12</u>	<u>51,165</u>
At 1 January 2021 (audited)	<b>2,000</b>	<b>24,973</b>	<b>3,000</b>	<b>22,838</b>	<b>3,121</b>	<b>55,932</b>	<b>6</b>	<b>55,938</b>
Profit and total comprehensive income for the period (unaudited)	-	-	-	<b>7,370</b>	<b>472</b>	<b>7,842</b>	-	<b>7,842</b>
At 30 June 2021 (unaudited)	<u><b>2,000</b></u>	<u><b>24,973</b></u>	<u><b>3,000</b></u>	<u><b>30,208</b></u>	<u><b>3,593</b></u>	<u><b>63,774</b></u>	<u><b>6</b></u>	<u><b>63,780</b></u>

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
<b>Net cash (used in)/generated from operating activities</b>	<u>(1,353)</u>	4,988
<b>Net cash used in investing activities</b>	<u>(1,905)</u>	(444)
<b>Net cash generated from/(used in) financing activities</b>	<u>497</u>	(547)
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(2,761)</b>	3,997
Cash and cash equivalents at beginning of period	<u>6,957</u>	3,014
<b>Cash and cash equivalents at end of period</b>	<u><b>4,196</b></u>	<u>7,011</u>
<b>Analysis of cash and cash equivalents</b>		
Bank and cash balances	<u><b>4,196</b></u>	<u>7,011</u>

# 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.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2021

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	<b>30,748</b>	23,505	<b>57,527</b>	37,581
Sales of switching mode power supply	<b>932</b>	848	<b>2,077</b>	1,125
Sales of electronic parts and components	<b>26,944</b>	15,930	<b>56,500</b>	26,206
Sales of electric healthcare products	<b>1</b>	59	<b>83</b>	386
Revenue from contracts with customers	<b>58,645</b>	40,342	<b>116,187</b>	65,298

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	<b>2,023</b>	3,961	<b>4,829</b>	6,678	<b>421</b>	695
PRC	<b>14,970</b>	11,549	<b>25,701</b>	20,135	<b>15,692</b>	10,354
Europe	<b>11,579</b>	9,359	<b>24,058</b>	15,644	-	-
United States	<b>6,753</b>	5,062	<b>14,553</b>	6,658	-	-
India	<b>9,190</b>	2,351	<b>19,511</b>	3,774	-	-
Others	<b>14,130</b>	8,060	<b>27,535</b>	12,409	-	-
	<b>58,645</b>	40,342	<b>116,187</b>	65,298	<b>16,113</b>	11,446

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

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2021

## 4. OTHER INCOME

	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)
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 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)	2020 HK\$'000 (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 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)	2020 HK\$'000 (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 30 June 2020.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2021

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 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 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 (Note)	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.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2021

## 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:

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

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

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2021

## 13. SHARE CAPITAL

	<b>30 June 2021 HK\$'000 (unaudited)</b>	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 Notes
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.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2021

- (b) **The Group entered into the following transactions with related parties during the reporting period:**

	For the six months ended 30 June	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Rental paid to a related company		
T-Lab Electronics & Plastics (He Yuan) Co., Ltd	<b>875</b>	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 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Salaries and other benefits	<b>518</b>	386	<b>1,035</b>	824
Retirement benefit contributions	<b>23</b>	17	<b>45</b>	34
	<b>541</b>	403	<b>1,080</b>	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.

## OTHER INFORMATION

### DISCLOSURE OF INTERESTS

**(a) Interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or the associated corporations**

As at 30 June 2021, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required as otherwise to be notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Rule 5.46 of the GEM Listing Rules, were as follows:

*(i) Interests in the Company*

<b>Name of Director</b>	<b>Capacity/ Nature of interest</b>	<b>Number of shares (Note 1)</b>	<b>Approximate percentage of shares</b>
Mr. Chung Chi Hang, Larry (Note 2)	Interest of a controlled corporation	126,000,000	63.0%
Mr. Chung Tin Shing	Beneficial interest	14,000,000	7.0%

Notes:

- 1 All interest stated are long positions.
- 2 These shares are held by Cyber Goodie Limited, 100% shareholding of which is owned by Mr. Chung Chi Hang, Larry. Mr. Chung Chi Hang, Larry is deemed to be interested in the shares held by Cyber Goodie Limited under the SFO.

*(ii) Interests in associated corporation(s) of the Company*

<b>Name of Director</b>	<b>Name of associated corporation</b>	<b>Capacity/ Nature of interest</b>	<b>Number of shares</b>	<b>Percentage of shareholding</b>
Mr. Chung Chi Hang, Larry	Cyber Goodie Limited	Beneficial owner	10 (long position)	100%

Save as disclosed above, as at 30 June 2021, none of the Directors and chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provisions of the SFO) or (ii) which were required to be recorded in the register required to be kept by the Company under Section 352 of the SFO or (iii) which were otherwise notified to the Company and the Stock Exchange pursuant to the required standards of dealing by Directors as referred to in Rule 5.46 of the GEM Listing Rules.

**(b) Interests and short positions of the substantial shareholders in the shares and underlying shares**

Save as disclosed above, as at 30 June 2021, the Directors and chief executive are not aware of any person, other than a Director or chief executive of the Company, who has an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

**CHANGES IN THE BOARD AND THE DIRECTOR'S INFORMATION**

There were no changes in the Board and the information of the Directors since the date of the Company's 2020 annual report.

**SHARE OPTION SCHEME**

The Company conditionally adopted a share option scheme (the "**Share Option Scheme**") on 2 February 2016 for the purpose of motivating the Eligible Participants (as defined below) to optimize their performance efficiency for the benefit of the Group and attracting and retaining or otherwise maintaining on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group. "**Eligible Participants**" refer to (i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries; or (ii) any directors (including executive, non-executive directors and independent non-executive directors) of the Company or any of its subsidiaries; or (iii) any advisers, consultants, suppliers, customers, agents and related entities to the Company or any of its subsidiaries.

The maximum number of shares of the Company (the "**Shares**") in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of the Company must not in aggregate exceed 10% of the total number of Shares in issue immediately following completion of the Placing, being 20,000,000 Shares. The maximum number of Shares issued and to be issued upon exercise of the options granted under the Share Option Scheme to any one person (including exercised and outstanding options) in any 12-month period shall not exceed 1% of the Shares in issue from time to time.

## OTHER INFORMATION

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as determined by the Board and not exceeding 10 years from the date of the grant. There is no minimum period for which an option must be held before it can be exercised. However, a grantee may be required to achieve any performance targets as the Board may then specify in the grant before any options granted under the Share Option Scheme can be exercised. Upon acceptance of the option, the grantee shall pay HK\$1.00 to the Company by way of consideration for the grant. The exercise price of the options is determined by the Board in its absolute discretion and shall not be less than whichever is the highest of:

- (a) the nominal value of a Share;
- (b) the official closing price of the Shares as stated in the Stock Exchange's daily quotation sheet on the date of grant of the relevant option; and
- (c) the average of the official closing prices of the Shares as stated in the Stock Exchange's daily quotation sheet for the five business days immediately preceding the date grant of the relevant option.

The Share Option Scheme shall be valid and effective for a period of 10 years from the date of its adoption, after which no further options will be granted or offered but the provisions of the Share Option Scheme shall remain in force and effect in all other respects. All options granted prior to the termination of the Share Option Scheme and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Share Option Scheme.

No share options were granted, exercised, cancelled or lapsed 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 report.

### **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).

### **DIRECTOR'S RIGHT TO ACQUIRE SHARES**

Save as disclosed in this report, at no time during the period from 1 January 2021 to 30 June 2021 was the Company, or any of its holding companies, its subsidiaries or its fellow subsidiaries a party to any arrangement to enable the Directors and chief executive of the Company (including their spouses and children under 18 years of age) to hold any interest or short positions in the shares, or underlying shares, or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO).

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

During the period from 1 January 2021 to 30 June 2021, 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.

### **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 from 1 January 2021 to 30 June 2021.

### **DEED OF NON-COMPETITION**

A deed of non-competition (the "**Deed of Non-competition**") dated 2 February 2016 was entered into by Cyber Goodie Limited, a limited liability company incorporated in the British Virgin Islands, and Mr. Chung Chi Hang, Larry in favour of the Company (for the Company and for the benefit of its subsidiaries) regarding non-competition undertakings. The details of the Deed of Non-competition have been disclosed in the Prospectus under the section headed "Relationship with our Controlling Shareholders" and the non-competition undertaking has become effective from the listing date on 24 February 2016.

### **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.

## OTHER INFORMATION

### **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 Company has complied with the CG Code.

### **CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE GEM LISTING RULES**

Save as disclosed, the Company does not have any other disclosure obligations under Rules 17.22, 17.23 and 17.24 of the GEM Listing Rules.

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 report, the executive directors of the Company are Mr. Chung Chi Hang, Larry, Mr. Chung Tin Shing and Mr. Wong Shek Fai, Johnson; and the independent non-executive directors of the Company are Mr. Cheung Yee Tak, Jonathan, Mr. Li Chung Pong, Stephen and Mr. Lam Chon Loi.*