

KEEN OCEAN INTERNATIONAL HOLDING LIMITED

(incorporated in the Cayman Islands with limited liability)

Stock Code : 8070



INTERIM REPORT
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.

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*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 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.



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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

Ms. Chau Hing Ling

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

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PRINCIPAL PLACE OF BUSINESS IN CHINA

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The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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New Territories
Hong Kong

PRINCIPAL BANKERS

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Corporation Limited
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Hong Kong

DBS Bank (Hong Kong) Limited
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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
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Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Union Registrars Limited
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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, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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).

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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).

MANAGEMENT DISCUSSION AND ANALYSIS

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:

	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
Pledged bank deposits	7,374	7,340
Trade receivables	5,138	4,393
	12,512	11,734

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.

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

For the three months and six months ended 30 June 2020

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 2020, together with the comparative figures for the corresponding periods in 2019 as follows:

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	As at 30 June 2020 HK\$'000 (unaudited)	As at 31 December 2019 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	10	10,138	11,186
Right-of-use assets		1,308	2,302
		11,446	13,488
Current assets			
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
		94,348	92,453
Current liabilities			
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
		54,498	53,517
Net current assets		39,850	38,936
Total assets less current liabilities		51,296	52,424
Non-current liabilities			
Lease liabilities		131	323
Net Assets		51,165	52,101
Capital and reserves			
Share capital	13	2,000	2,000
Reserves		49,153	50,088
Equity attributable to owners of the Company		51,153	52,088
Non-controlling interests		12	13
TOTAL EQUITY		51,165	52,101

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

Attributable to owners of the Company

	Share capital HK\$'000	Share Premium HK\$'000	Special reserve HK\$'000	Retained profits HK\$'000	Translation reserve HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
At 1 January 2019 (audited)	2,000	24,973	3,000	23,574	847	54,394	17	54,411
Loss and total comprehensive expense for the period (unaudited)	-	-	-	(371)	110	(261)	(1)	(262)
At 30 June 2019 (unaudited)	<u>2,000</u>	<u>24,973</u>	<u>3,000</u>	<u>23,203</u>	<u>957</u>	<u>54,133</u>	<u>16</u>	<u>54,149</u>
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>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Net cash generated from/(used in) operating activities	<u>4,988</u>	<u>(3,876)</u>
Net cash used in investing activities	<u>(444)</u>	<u>(2,432)</u>
Net cash (used in)/generated from financing activities	<u>(547)</u>	<u>3,190</u>
Net increase/(decrease) in cash and cash equivalents	3,997	(3,118)
Cash and cash equivalents at beginning of period	<u>3,014</u>	<u>4,318</u>
Cash and cash equivalents at end of period	<u>7,011</u>	<u>1,200</u>
Analysis of cash and cash equivalents		
Bank and cash balances	<u>7,011</u>	<u>1,200</u>

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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2020

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	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2019 HK\$'000 (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 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	40,342	45,916	65,298	88,888

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
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2019 HK\$'000 (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	-	-
	40,342	45,916	65,298	88,888	11,446	13,488

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2020

4. OTHER INCOME

	For the three months ended 30 June		For the six months ended 30 June	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(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 ended 30 June		For the six months ended 30 June	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(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 ended 30 June		For the six months ended 30 June	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2020

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:

	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
0 to 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
	29,465	31,853

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 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
0 to 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
	22,834	18,393

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2020

13. SHARE CAPITAL

	30 June 2020 HK\$'000 (unaudited)	31 December 2019 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 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:

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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2020

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

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

	For three months ended 30 June		For six months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Salaries and other benefits	386	479	824	957
Retirement benefit contributions	17	20	34	40
	403	499	858	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.

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 2020, 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

Name of Director	Capacity/ Nature of interest	Number of shares (Note 1)	Approximate percentage of shares
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

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

Save as disclosed above, as at 30 June 2020, 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 2020, 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 2019 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 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 report.

INTERIM DIVIDEND

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).

DIRECTOR'S RIGHT TO ACQUIRE SHARES

Save as disclosed in this report, at no time during the period from 1 January 2020 to 30 June 2020 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 2020 to 30 June 2020, 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 2020 to 30 June 2020.

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 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.

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 2020 to 30 June 2020, the Company has complied with the CG Code.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE GEM LISTING RULES

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, 10 August 2020

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.