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KEEN OCEAN INTERNATIONAL HOLDING LIMITED
僑洋國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8070)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2022

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 Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

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

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

UNAUDITED INTERIM RESULTS

The board of Directors (the “**Board**”) is pleased to announce the unaudited condensed consolidated interim results of the Group for the three months and six months ended 30 June 2022, together with the comparative figures for the corresponding periods in 2021 as follows:

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

For the three months and six months ended 30 June 2022

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Revenue	3	85,931	58,645	158,926	116,187
Cost of sales		(75,381)	(48,983)	(138,608)	(95,056)
Gross profit		10,550	9,662	20,318	21,131
Other income	4	626	220	631	627
Other gains		760	32	1,018	93
Selling and distribution expenses		(1,664)	(1,904)	(3,792)	(3,855)
Administrative expenses		(5,930)	(4,623)	(10,982)	(9,751)
Finance costs	5	(616)	(446)	(1,241)	(875)
Profit before taxation		3,726	2,941	5,952	7,370
Income tax expense	6	(839)	–	(1,238)	–
Profit for the period	7	2,887	2,941	4,714	7,370
Other comprehensive expenses after tax:					
<i>Items that may be reclassified to profit or loss:</i>					
Exchange differences on translating foreign operations		(2,391)	468	(2,431)	472
Total comprehensive income for the period		496	3,409	2,283	7,842
Profit for the period attributable to:					
Owners of the Company		2,887	2,941	4,714	7,370
Non-controlling interests		–	–	–	–
		2,887	2,941	4,714	7,370
Total comprehensive income for the period attributable to:					
Owners of the Company		496	3,409	2,283	7,842
Non-controlling interests		–	–	–	–
		496	3,409	2,283	7,842
Earnings per share					
Basic and diluted (HK cents)	8	1.44	1.47	2.36	3.69

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	<i>Notes</i>	As at 30 June 2022 HK\$'000 (unaudited)	As at 31 December 2021 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	10	12,107	12,487
Right-of-use assets		<u>3,010</u>	<u>4,036</u>
		<u>15,117</u>	<u>16,523</u>
Current assets			
Inventories		95,442	81,534
Trade and other receivables and prepayments	11	60,708	63,145
Pledged bank deposits		11,770	11,764
Bank and cash balances		<u>9,709</u>	<u>4,704</u>
		<u>177,629</u>	<u>161,147</u>
Current liabilities			
Trade and other payables and accruals	12	59,554	54,643
Contract liabilities		2,685	1,706
Bank loans and overdrafts		50,335	42,869
Amount due to a related party		5,227	4,781
Lease liabilities		<u>2,076</u>	<u>2,168</u>
		<u>119,877</u>	<u>106,167</u>
Net current assets		<u>57,752</u>	<u>54,980</u>
Total assets less current liabilities		<u>72,869</u>	<u>71,503</u>
Non-current liabilities			
Lease liabilities		<u>1,035</u>	<u>1,952</u>
Net Assets		<u><u>71,834</u></u>	<u><u>69,551</u></u>
Capital and reserves			
Share capital	13	2,000	2,000
Reserves		<u>69,841</u>	<u>67,558</u>
Equity attributable to owners of the Company		71,841	69,558
Non-controlling interests		<u>(7)</u>	<u>(7)</u>
TOTAL EQUITY		<u><u>71,834</u></u>	<u><u>69,551</u></u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2022

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 2021 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 2021.

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 2022. 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 2021. Accordingly, the Group has only one single operating segment and no further analysis of this single segment is presented.

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

	For the three months ended 30 June		For the six months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Sales of transformers	40,918	30,748	78,424	57,527
Sales of switching mode power supply	771	932	1,369	2,077
Sales of electronic parts and components	44,045	26,964	78,936	56,500
Sales of electric healthcare products	197	1	197	83
Revenue from contracts with customers	<u>85,931</u>	<u>58,645</u>	<u>158,926</u>	<u>116,187</u>

Disaggregation of revenue from contracts with customers:

Geographical information

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

	Revenue from external customers				Non-current assets	
	For the three months ended 30 June		For the six months ended 30 June		As at 30 June	As at 31 December
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)	2021 HK\$'000 (audited)
Hong Kong	5,048	2,023	9,377	4,829	814	1,071
PRC	13,580	14,970	23,847	25,701	14,303	15,452
Europe	11,039	11,579	23,444	24,058	-	-
United States	8,221	6,753	17,085	14,553	-	-
India	17,633	9,190	33,998	19,511	-	-
Others	30,410	14,130	51,175	27,535	-	-
	<u>85,931</u>	<u>58,645</u>	<u>158,926</u>	<u>116,187</u>	<u>15,117</u>	<u>16,523</u>

All timing of revenue recognition is at a point in time for the six months ended 30 June 2022 and 2021.

4. OTHER INCOME

	For the three months ended 30 June		For the six months ended 30 June	
	2022 <i>HK\$'000</i> (unaudited)	2021 <i>HK\$'000</i> (unaudited)	2022 <i>HK\$'000</i> (unaudited)	2021 <i>HK\$'000</i> (unaudited)
Bank interest	4	1	8	3
Government incentive	216	32	217	437
Sales of scrap materials	319	187	319	187
Gain on deregistration of a subsidiary	87	–	87	–
	<u>626</u>	<u>220</u>	<u>631</u>	<u>627</u>

5. FINANCE COSTS

	For the three months ended 30 June		For the six months ended 30 June	
	2022 <i>HK\$'000</i> (unaudited)	2021 <i>HK\$'000</i> (unaudited)	2022 <i>HK\$'000</i> (unaudited)	2021 <i>HK\$'000</i> (unaudited)
Leases interests	43	58	92	121
Interest on bank borrowings	573	388	1,149	754
	<u>616</u>	<u>446</u>	<u>1,241</u>	<u>875</u>

6. INCOME TAX EXPENSE

	For the three months ended 30 June		For the six months ended 30 June	
	2022 <i>HK\$'000</i> (unaudited)	2021 <i>HK\$'000</i> (unaudited)	2022 <i>HK\$'000</i> (unaudited)	2021 <i>HK\$'000</i> (unaudited)
Current tax:				
Hong Kong Profits Tax	440	–	839	–
PRC Enterprise Income Tax	399	–	399	–
	<u>839</u>	<u>–</u>	<u>1,238</u>	<u>–</u>

Hong Kong Profits Tax has been provided at the rate of 8.25% on assessable profits up to HK\$2,000,000 and 16.5% on any part of assessable profits over HK\$2,000,000 for the six months ended 30 June 2022. No provision for Hong Kong profit has been made in financial statement since the Group has sufficient tax losses brought forward to set off against current year's assessable profit for six months ended 30 June 2021.

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 subsidiaries is 25% for the six months ended 30 June 2022. 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 assessable profit for the six months ended 30 June 2021.

7. PROFIT FOR THE PERIOD

The Group's profit 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	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Directors' emoluments	410	328	763	705
Cost of inventories sold	75,381	48,983	138,608	95,056
Depreciation of plant and equipment	541	329	1,040	836
Depreciation of right-of-use assets	513	504	1,026	1,009
Research and development expenses	916	662	1,637	1,490
Staff Costs	12,259	10,331	21,539	19,010

8. EARNINGS PER SHARE

	For the six months ended 30 June	
	2022 (unaudited)	2021 (unaudited)
Earnings for the period attributable to owners of the Company (HK\$'000)	4,714	7,370
Number of shares: Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share (<i>Note</i>)	200,000,000	200,000,000

Note:

No diluted earnings per share is presented for the six months ended 30 June 2022 and 2021 since there were no potential diluted ordinary shares in issue during both periods.

9. DIVIDENDS

No dividend was paid, declared or proposed during the interim periods ended 30 June 2022 and 30 June 2021.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2022, the Group acquired property, plant and equipment of approximately HK\$660,000 (six months ended 30 June 2021: HK\$1,985,000) and depreciation amounting to approximately HK\$1,040,000 was provided during the period (six months ended 30 June 2021: HK\$836,000).

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 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)
0 – 90 days	45,205	53,202
91 to 180 days	702	62
181 to 365 days	325	311
Over 1 year	821	743
	<u>47,053</u>	<u>54,318</u>

12. TRADE AND OTHER PAYABLES AND ACCRUALS

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

	30 June 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)
0 – 90 days	51,664	47,625
91 to 180 days	131	650
181 to 365 days	125	219
Over 1 year	402	423
	<u>52,322</u>	<u>48,917</u>

13. SHARE CAPITAL

	30 June 2022 HK\$'000 (unaudited)	31 December 2021 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 2022 and 31 December 2021.

15. CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 June 2022 and 31 December 2021.

16. RELATED-PARTY TRANSACTIONS

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

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

Notes:

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

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

	For the six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Rental paid to a related company		
T-Lab Electronics & Plastics (He Yuan) Co., Ltd	871	875

(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	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Salaries and other benefits	556	518	1,111	1,035
Retirement benefit contributions	23	23	45	45
	579	541	1,156	1,080

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 2022 were approved and authorised for issue by the Board on 9 August 2022.

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 and 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 49.35% of the Group's sales for the six months ended 30 June 2022 (for the six months ended 30 June 2021: approximately 49.51%). The switching mode power supply represented approximately 0.86% of the Group's sales for the six months ended 30 June 2022 (for the six months ended 30 June 2021: approximately 1.79%). The electronic parts and components represented approximately 49.67% of the Group's sales for the six months ended 30 June 2022 (for the six months ended 30 June 2021: approximately 48.63%). The electric healthcare products accounted for approximately 0.12% of the Group's sales for the six months ended 30 June 2022 (for the six months ended 30 June 2021: approximately 0.07%).

Revenue generated by the Group increased during the period under review as compared to the corresponding period in the previous year. This was mainly due to the increase in purchase orders for transformers, and electronic parts and components from several existing customers 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 declined during the period under review compared to the corresponding period in the previous year. This was mainly attributable to the increase in the cost of raw materials especially in electronic parts and steel rather than copper (which price has decreased by 11% compared with corresponding period) during the period under review.

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 pandemic, 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\$42.74 million, or 36.78%, from approximately HK\$116.19 million for the six months ended 30 June 2021 to approximately HK\$158.93 million for the six months ended 30 June 2022. Such increase was primarily due to the increase in the placement of purchase orders for transformers, and electronic parts and components from an existing customers, which engaged in the production of components for clean energy appliances.

Cost of sales increased by approximately HK\$43.55 million, or 45.82%, from approximately HK\$95.06 million for the six months ended 30 June 2021 to approximately HK\$138.61 million for the six months ended 30 June 2022. Such increase was in line with the increase in our revenue and was primarily due to the increase in the costs of raw materials and production costs during the period under review.

As a result, the Group's gross profit decreased by approximately HK\$0.81 million, or 3.85%, from approximately HK\$21.13 million for the six months ended 30 June 2021 to approximately HK\$20.32 million for the six months ended 30 June 2022. Gross profit margin decreased from 18.19% for the six months ended 30 June 2021 to 12.78% for the six months ended 30 June 2022. Such decrease was mainly attributable to the increase in the costs of raw materials.

Other income increased slightly by approximately HK\$3,300 or 0.53%, from approximately HK\$627,400 for the six months ended 30 June 2021 to approximately HK\$630,700 for the six months ended 30 June 2022. The slight increase was mainly due to net positive effect from a decrease in government subsidies received by the Company countered by increase in amounts received for sale of production waste for the six months ended 30 June 2022.

Other gains increased by approximately HK\$924,700, or 990.04%, from approximately HK\$93,400 for the six months ended 30 June 2021 to approximately HK\$1.02 million for the six months ended 30 June 2022. Such increase was mainly attributable to the appreciation of Hong Kong Dollar against Renminbi during the period under review as some intercompany funds and balances are denominated in Renminbi.

Selling and distribution expenses decreased by approximately HK\$63,000 or 1.63%, from approximately HK\$3.85 million for the six months ended 30 June 2021 to approximately HK\$3.79 million for the six months ended 30 June 2022. Such decrease was mainly attributable to the transport and freight costs being recharged to customers as a service fee in cases of lower volume shipments during the period under review.

Administrative expenses increased by approximately HK\$1.23 million, or 12.62%, from approximately HK\$9.75 million for the six months ended 30 June 2021 to approximately HK\$10.98 million for the six months ended 30 June 2022. Such increase was mainly attributable to higher staff costs and related expenses due to increase in headcount in line with increase in revenue during the period under review.

Finance costs increased by approximately HK\$366,000, or 41.83%, from approximately HK\$875,000 for the six months ended 30 June 2021 to approximately HK\$1.24 million for the six months ended 30 June 2022. Such increase was mainly attributable to the increase of short-term loans during the period under review.

A provision for income tax expenses of approximately HK\$1.24 million was recorded for the six months ended 30 June 2022 against no provision for tax expenses for the six months ended 30 June 2021. Such results were mainly attributable to a provision for profits tax being made since the Group has no tax losses brought forward to set off against its assessable profits for the period under review.

As a result of the above, the Group recorded a profit of approximately HK\$4.71 million for the six months ended 30 June 2022 (for the six months ended 30 June 2021: profit of approximately HK\$7.37 million).

PROSPECT

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

Despite during the most recent quarter, the global economic output demonstrated recovery especially against the low base of comparison in the corresponding period in 2021, 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 expects that the increase of the interest rates by the Federal Reserve shall likely result in lower material costs and hence decrease the cost burden to the Group's production lines.

The management of the Group is determined to rise to these challenges. The production team maintains sufficient inventory buffer to cope with the demand and supply chain uncertainties. The management also strives to sustain the Group's competitive advantages through solidifying business relationships. Further, the Board has adopted a new hedging policy from the end of last year regarding dealings in copper option contracts for better control on the material costs of the Group and from July 2022 the Group will make use of the option contracts.

In addition, the management spotted a rising demand of clean energy appliances, particularly the electronic parts and components of the Group, as the global policies leaned more towards renewability and sustainability. Besides, after continuous delivery of products with satisfactory quality control and the strong demographics and growing consumption, the Group recorded increasing orders from the developed customer base. Furthermore, in order to meet the changing demands and expectations from our customers, the resources used in electric healthcare products be reallocated to other products in our Group. With the increased production capacity during the period under review to cope with the increasing demand from the customers, the management is optimistic about the market and confident that the Group can continue to accelerate growth.

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

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

LIQUIDITY AND FINANCIAL RESOURCES

During the period under review, the Group's source of funds was primarily from the cash generated from operating activities. The Group also utilised bank borrowings to finance its operations. As at 30 June 2022, the Group had a healthy financial position with net assets amounted to approximately HK\$71.83 million (31 December 2021: approximately HK\$69.55 million). Net current assets stood at approximately HK\$57.75 million (31 December 2021: approximately HK\$54.98 million).

As at 30 June 2022, the shareholder's fund amounted to approximately HK\$71.83 million (31 December 2021: approximately HK\$69.55 million). Current assets amounted to approximately HK\$177.63 million (31 December 2021: approximately HK\$161.15 million), mainly comprising inventories, trade and other receivables and prepayments, pledged bank deposits, bank and cash balance. Current liabilities amounted to approximately HK\$119.88 million (31 December 2021: approximately HK\$106.17 million), mainly comprising trade and other payables and accruals, bank borrowings and overdrafts.

As at 30 June 2022, the Group's bank and cash balance amounted to approximately HK\$9.71 million (31 December 2021: approximately HK\$4.70 million). Net asset value per share was HK\$0.36 (31 December 2021: HK\$0.35).

As at 30 June 2022, 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 0.57 (31 December 2021: approximately 0.55). Such increase was mainly due to (i) lower bank balances recorded after purchases of inventory for dealing with the recovery of purchase orders and the resumption of shipment and/or delivery schedule; and (ii) the increase in the bank borrowings during the period under review.

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

CAPITAL EXPENDITURE

As at 30 June 2022, the Group's financial capital expenditures was HK\$660,000 (31 December 2021: HK\$4,004,000).

CAPITAL STRUCTURE

As at 30 June 2022, the issued share capital of the Group comprised only ordinary shares. The capital structure of the Group mainly consists of borrowings from bank and equity attributable to owners of the Group, comprising issued share capital and retained earnings respectively. Borrowings from bank were denominated in Hong Kong dollars which were secured by pledged bank deposits and trade receivables of the Group.

FOREIGN EXCHANGE EXPOSURE

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

SIGNIFICANT INVESTMENT HELD

As at 30 June 2022, the Group did not have any significant investment held (31 December 2021: nil).

CONTINGENT LIABILITIES

As at 30 June 2022, the Group did not have any material contingent liabilities (31 December 2021: nil).

CAPITAL COMMITMENT

As at 30 June 2022, the Group did not have any significant capital commitment (31 December 2021: nil).

EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2022, the Group had approximately 463 employees (31 December 2021: approximately 487 employees), including the Directors. Total staff costs excluding Directors' remuneration for the six months ended 30 June 2022 amounted to approximately HK\$21.54 million (for the six months ended 30 June 2021: approximately HK\$19.01 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 2022 <i>HK\$'000</i> (unaudited)	31 December 2021 <i>HK\$'000</i> (audited)
Pledged bank deposits	11,770	11,764
Trade receivables	<u>7,525</u>	<u>5,076</u>
	<u>19,295</u>	<u>16,840</u>

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the six months ended 30 June 2022, 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 2022, the Group did not have any plans for material investments and capital assets.

EVENTS AFTER THE REPORTING PERIOD

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

OTHER INFORMATION

INTERIM DIVIDED

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2022 (for the six months ended 30 June 2021: nil).

SHARE OPTION SCHEME

The Company has a share option scheme which was approved and adopted by the shareholders of the Company by way of the written resolutions passed on 2 February 2016 (the “**Share Option Scheme**”). No share options were granted, exercised or cancelled by the Company under the Share Option Scheme during the period from 1 January 2022 to 30 June 2022 and there were no outstanding share options under the Share Option Scheme as at 30 June 2022 and up to the date of this announcement.

CORPORATE GOVERNANCE PRACTICES

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

The Directors consider that throughout the period from 1 January 2022 to 30 June 2022, (the “**Period**”), the Company has complied with the CG Code.

SECURITIES TRANSACTIONS BY DIRECTORS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

COMPETITION AND CONFLICT OF INTERESTS

As far as the Directors are aware of, none of the Directors nor the controlling shareholders nor any of their respective associates (as defined in the GEM Listing Rules) had any business or interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group or had any other conflict of interests with the Group during the six months ended 30 June 2022.

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 2022.

RISK MANAGEMENT COMMITTEE

The risk management committee of the Board (the “**Risk Management Committee**”) was established on 2 February 2016, with specific written terms of reference for assisting the Board in overseeing (i) risk governance structure; and (ii) hedging policies including its activities in forward purchases of copper and entering into the relevant contracts. The Risk Management Committee currently comprises a total of three members, being two executive Directors, namely Mr. Chung Tin Shing and Mr. Wong Shek Fai, Johnson, and one independent non-executive Director, namely Mr. Lam Chon Loi. Following the adoption of a new set of hedging policy on 29 September 2021, the Risk Management Committee is responsible for reviewing and approving the hedging policies as formulated by the hedging team of the Company and reporting to the Board as to whether the hedging policies have been duly followed by the management of the Company.

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

This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.keenocean.com.hk). The interim report of the Company for the six months ended 30 June 2022 containing all the information required by the GEM Listing Rules will be dispatched to the Company’s shareholders and posted on the above websites in due course.

By Order of the Board
Keen Ocean International Holding Limited
Chung Chi Hang, Larry
Chairman

Hong Kong, 9 August 2022

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

This announcement will remain on the “Latest Listed Company Information” page of the Stock Exchange’s website at www.hkexnews.hk for at least 7 days from the date of its posting and will also be published on the Company’s website at www.keenocean.com.hk.