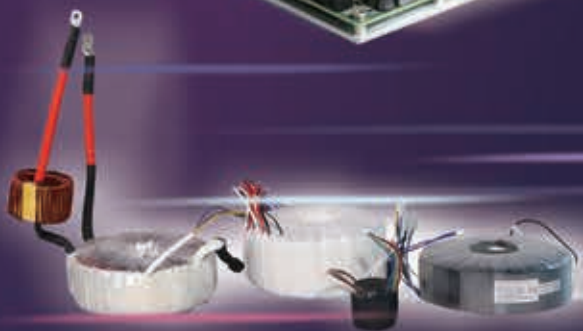
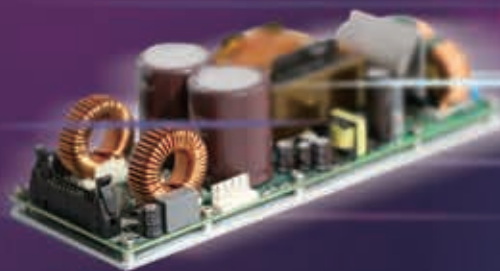


KEEN OCEAN INTERNATIONAL HOLDING LIMITED

(incorporated in the Cayman Islands with limited liability)

Stock Code : 8070



INTERIM REPORT 2023

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.

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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 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.

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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. Cheung Yee Tak, Jonathan

Mr. Li Chung Pong, Stephen

Mr. Lam Chon Loi

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. Cheung Yee Tak, Jonathan

Mr. Chung Chi Hang, Larry

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.keenocean.com.hk>

AUDITOR

ZHONGHUI ANDA CPA Limited

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Hong Kong

REGISTERED OFFICE

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Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN CHINA

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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 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 48.0% of the Group's sales for the six months ended 30 June 2023 (for the six months ended 30 June 2022: approximately 49.3%). The switching mode power supply represented approximately 0.7% of the Group's sales for the six months ended 30 June 2023 (for the six months ended 30 June 2022: approximately 0.9%). The electronic parts and components represented approximately 50.8% of the Group's sales for the six months ended 30 June 2023 (for the six months ended 30 June 2022: approximately 49.7%). The electric healthcare products accounted for approximately 0.5% of the Group's sales for the six months ended 30 June 2023 (for the six months ended 30 June 2022: approximately 0.1%).

Revenue generated by the Group increased during the period under review as compared with 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, and the increase in sales price to reflect the increase in the cost of raw materials.

The Group's manufacturing process mainly involved copper and silicon steel as raw materials for the Group's products. During the period under review, the average price of copper experienced a downward trend, while the average price of silicon steel showed an upward trend. The Group will continue to strive to improve the efficiency of production in order to reduce production waste and the overall costs of production.

The operating margin has marginally decreased by 3.6% during the period under review compared with the same period in 2022. This was mainly attributable to the increase in material costs 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. To further promote its products the Group has been attending trade exhibitions, physical marketing events and face to face meetings with existing and potential customers.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group's revenue increased by approximately HK\$58.4 million, or 36.7%, from approximately HK\$158.9 million for the six months ended 30 June 2022 to approximately HK\$217.3 million for the six months ended 30 June 2023. Such increase was primarily due to the increase in the placement of purchase orders for transformers, and electronic parts and components from existing customers, which engaged in the production of components for clean energy appliances.

Cost of sales increased by approximately HK\$51.9 million, or 37.4%, from approximately HK\$138.6 million for the six months ended 30 June 2022 to approximately HK\$190.5 million for the six months ended 30 June 2023. The 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 increased by approximately HK\$6.5 million, or 31.9%, from approximately HK\$20.3 million for the six months ended 30 June 2022 to approximately HK\$26.8 million for the six months ended 30 June 2023, while gross profit margin decreased from 12.8% for the six months ended 30 June 2022 to 12.3% for the six months ended 30 June 2023. Such decrease was mainly attributable to the increase in material costs during the period under the review as compared with the same period in 2022.

Other income increased by approximately HK\$1.3 million or 197.1%, from approximately HK\$0.6 million for the six months ended 30 June 2022 to approximately HK\$1.9 million for the six months ended 30 June 2023. Such increase was mainly attributable to the receipt of tax incentives provided by the Government of Heyuan City of the People's Republic of China for development costs related to sustainable products and the increase in interest income received during the period under review.

Other gains increased by approximately HK\$2.6 million, or 250.9%, from approximately HK\$1.0 million for the six months ended 30 June 2022 to approximately HK\$3.6 million for the six months ended 30 June 2023. Such increase was mainly attributable to the implementation of the Company's hedging policy in copper option contracts, resulting in investment income during the period under review. Foreign exchange gains decreased compared with the corresponding period in 2022 due from no exchange gain on intercompany funds transfers.

Selling and distribution expenses increased by approximately HK\$0.1 million or 2.9%, from approximately HK\$3.8 million for the six months ended 30 June 2022 to approximately HK\$3.9 million for the six months ended 30 June 2023. Such increase was mainly attributable to the increase in expenses as a result of the corresponding increase in revenue during the period under review.

MANAGEMENT DISCUSSION AND ANALYSIS

Administrative expenses increased by approximately HK\$4.7 million, or 42.6%, from approximately HK\$11.0 million for the six months ended 30 June 2022 to approximately HK\$15.7 million for the six months ended 30 June 2023. The increase was mainly attributable to the increase in research and development expenses of approximately HK\$3.6 million compared to the same period in 2022. Such increase is due to the development of new products and upgrade of existing products to meet the global trend in clean energy, as well as the development to improve existing production processes to reduce costs. In addition, there were one-off fees and stamp duty expenses incurred in relation to the purchase of two non-residential properties for self-owned premises in Hong Kong.

Finance costs increased by approximately HK\$0.3 million, or 22.2%, from approximately HK\$1.2 million for the six months ended 30 June 2022 to approximately HK\$1.5 million for the six months ended 30 June 2023. Such increase was mainly attributable to the increase in interest rates during the period under review.

Income tax expenses increased by HK\$69,050, or 5.6%, from approximately HK\$1.2 million for the six months ended 30 June 2022 to approximately HK\$1.3 million for the six months ended 30 June 2023. Such increase was mainly attributable to the increase in assessable profit as a result from the increase in profit before tax for the period under review.

As a result of the above, the Group recorded a profit of approximately HK\$9.9 million for the six months ended 30 June 2023 (for the six months ended 30 June 2022: approximately HK\$4.7 million).

PROSPECT

The Group had experienced 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. Further, the Board has adopted a new set of hedging regarding dealings in copper option contracts for better control on the material costs of the Group.

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 together with 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 has been reallocated to other products within the Group. The management foresees demand to slowdown in the next two quarters and expects a corresponding downward trend in the number of orders placed.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group has built up surplus cash funds from its business operations and to improve the Group's overall capital efficiency, management has deemed it appropriate to modify the Group's existing treasury policy by allowing it to invest more in short-term and low-risk investments in listed securities in Hong Kong as well as other related investment products offered by banks and other financial institutions subject to certain conditions. Such conditions include, but are not limited to, all securities invested by the Group should not exceed an investment period of twelve months; the aggregate amount of funds to be invested in any securities should not exceed the cashflow needs of the Group for the next six months at any material time and detailed descriptions of the securities should be submitted for consideration and prior approval at the meetings of the Board. As funding for these investments will come from idle funds there will not be an impact to the Group's operational liquidity and fund security.

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, if applicable, in compliance with industrial safety and public health policies; and deploys appropriate preventive measures to enhance protection of Group's employees by providing a healthy and hygienic environment both in the office and at the sites.

The Group's management is aware of and is closely monitoring the development of the Russia-Ukraine conflict and accordingly evaluates any possible impact to its financial position and performance. The Group's management believes that the impact of the conflict on its current operations, supply chain and financial performance is minimal. Meanwhile, the Group's management is aware of the recent uptick in US federal rates. During the period under review, as the US interest rate increased, it had a corresponding effect on interest rates in Hong Kong, leading to higher lending rates. Given that the Group's bank borrowings have been steadily increasing, any resulting increase in loan interest rates could have an impact on the Group's profits and financial results.

In the long run, the Group is confident that it shall explore the opportunities 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 2023, the Group had a healthy financial position with net assets amounted to approximately HK\$90.4 million (31 December 2022: approximately HK\$81.8 million). Net current assets stood at approximately HK\$53.9 million (31 December 2022: approximately HK\$66.8 million).

MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2023, the shareholder's fund amounted to approximately HK\$90.4 million (31 December 2022: approximately HK\$81.8 million). Current assets amounted to approximately HK\$169.2 million (31 December 2022: approximately HK\$223.2 million), mainly comprising inventories, trade and other receivables and prepayments, investment at fair value through profit or loss, pledged bank deposits, bank and cash balance. Current liabilities amounted to approximately HK\$115.3 million (31 December 2022: approximately HK\$156.4 million), mainly comprising trade and other payables and accruals, bank borrowings and overdrafts, and current tax liabilities.

As at 30 June 2023, the Group's bank and cash balance amounted to approximately HK\$41.0 million (31 December 2022: approximately HK\$19.3 million). Net asset value per share was HK\$0.45 (31 December 2022: HK\$0.41).

As at 30 June 2023, 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 0.06 (31 December 2022: approximately 0.41). Such decrease was mainly due to (i) the decrease in the bank borrowings; and (ii) increase in bank and cash balances from operating services 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 2023, the Group's financial capital expenditures were approximately HK\$23.7 million. This amount was primarily due to the acquisition of premises for office and warehouse use in Hong Kong, amounting to approximately HK\$21.7 million. As at 30 June 2022, the Group's financial capital expenditures (from acquired property, plant, and equipment) were approximately HK\$660,000. And for the year ended 31 December 2022, the Group incurred capital expenditures in respect of property, plant, and equipment additions, amounting to approximately HK\$4.4 million.

CAPITAL STRUCTURE

The Group maintains a prudent funding and treasury policy and the management is responsible for monitoring its funding requirements and performing ongoing liquidity review. As at 30 June 2023, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 2023, the Group did not have any significant investment held (31 December 2022: nil).

CONTINGENT LIABILITIES

As at 30 June 2023, the Group did not have any material contingent liabilities (31 December 2022: nil).

CAPITAL COMMITMENT

As at 30 June 2023, the Group did not have any significant capital commitment (31 December 2022: nil).

EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2023, the Group had approximately 533 employees (31 December 2022: approximately 598 employees), including the Directors. Total staff costs excluding Directors' remuneration for the six months ended 30 June 2023 amounted to approximately HK\$24.6 million (for the six months ended 30 June 2022: approximately HK\$21.5 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. Ongoing training on quality control and production facilities operations is provided to employees, with relevant procedural and operational guidelines formulated.

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 2023 HK\$'000 (unaudited)	31 December 2022 HK\$'000 (audited)
Pledged bank deposits	6,834	11,835
Trade receivables	7,525	3,006
	14,359	14,841

MANAGEMENT DISCUSSION AND ANALYSIS

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the six months ended 30 June 2023, the Group did not have any material acquisitions nor disposals of subsidiaries and affiliated companies.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

In view of the national economic recovery, the Group has surplus cash funds from its business operations. As a result, this is a growing need for treasury management to improve the Group's overall capital efficiency, hence management deemed it appropriate to modify the Group's existing treasury policy by allowing it to invest not more than 30% of its cash-in-hand at any material time in short-term and low-risk investments in listed securities in Hong Kong as well as other related investment products offered by banks and other financial institutions subject to certain conditions. Such conditions include, but not limited to, all securities invested by the Group should not exceed an investment period of twelve months; the aggregate amount of funds to be invested in any securities should not exceed the cashflow needs of the Group for the next six months at any material time and detailed descriptions of the securities should be submitted for consideration and prior approval at the meetings of the Board. Funding for these investments will come from idle funds and will not impact the Group's operational liquidity and fund security. For further details, please refer to the announcement dated 27 July 2023 of the Company.

On 23 February 2023, the Company as purchaser entered into two provisional agreements with Jip Cheong Industrial Limited as vendor to purchase two non-residential properties which are located at Rooms 01 and 02, 37/F, Cable TV Tower, No. 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong (collectively, the "**Properties**") for the aggregate consideration of HK\$21,680,000 for its own use as office premises. The Group currently rents premises for use as offices in Hong Kong. In acquiring self-owned premises the Group can reduce the risk of relocation upon expiration of lease or termination of the existing lease as well as saving on rental, administrative costs and removal and renovation expenses in the long run, improving the efficiency of the Group's operations and enabling business expansion. The acquisition of the Properties (the "**Acquisitions**") has completed on 15 June 2023. As one or more of the applicable percentage ratios (as defined in the GEM Listing Rules) in respect of the Acquisitions is more than 25% but is less than 100%, the Acquisitions constitute a major transaction for the Company and is therefore subject to the announcement, reporting and shareholders' approval requirements under Chapter 19 of the GEM Listing Rules. For further details, please refer to the announcements of the Company dated 24 February 2023, 17 March 2023, 20 April 2023 and 3 May 2023 and the circular of the Company dated 11 May 2023.

Following the completion of the Acquisitions, the Group plans to utilize the premises as its principal business office and warehouse in Hong Kong during the third quarter of 2023.

Other than the above, 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 2023

The board of Directors (the “**Board**”) is pleased to present the unaudited condensed consolidated interim results of the Group for the three months and six months ended 30 June 2023, together with the comparative figures for the corresponding periods in 2022 as follows:

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Revenue	3	101,163	85,931	217,271	158,926
Cost of sales		(91,033)	(75,381)	(190,466)	(138,608)
Gross profit		10,130	10,550	26,805	20,318
Other income	4	1,831	626	1,875	631
Other gains	5	722	760	3,572	1,018
Selling and distribution expenses		(1,385)	(1,664)	(3,901)	(3,792)
Administrative expenses		(8,759)	(5,930)	(15,664)	(10,982)
Finance costs	6	(657)	(616)	(1,516)	(1,241)
Profit before taxation		1,882	3,726	11,171	5,952
Income tax expense	7	(69)	(839)	(1,307)	(1,238)
Profit for the period	8	1,813	2,887	9,864	4,714
Other comprehensive expenses after tax:					
<i>Items that may be reclassified to profit or loss:</i>					
Exchange differences on translating foreign operations		(1,276)	(2,391)	(1,310)	(2,431)
Total comprehensive income for the period		537	496	8,554	2,283
Profit for the period attributable to:					
Owners of the Company		1,813	2,887	9,863	4,714
Non-controlling interests		1	-	1	-
		1,814	2,887	9,864	4,714
Total comprehensive income for the period attributable to:					
Owners of the Company		536	496	8,553	2,283
Non-controlling interests		1	-	1	-
		537	496	8,554	2,283
Earnings per share					
Basic and diluted (HK cents)	9	0.91	1.44	4.93	2.36

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	Notes	As at 30 June 2023 HK\$'000 (unaudited)	As at 31 December 2022 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	11	35,515	13,041
Right-of-use assets		958	1,984
		<u>36,473</u>	<u>15,025</u>
Current assets			
Inventories		62,782	104,106
Trade and other receivables and prepayments	12	54,959	86,123
Investments at fair value through profit or loss		3,642	1,800
Pledged bank deposits		6,834	11,835
Bank and cash balances		40,989	19,333
		<u>169,206</u>	<u>223,197</u>
Current liabilities			
Trade and other payables and accruals	13	41,486	87,080
Contract liabilities		24,035	11,377
Bank loans and overdrafts		46,571	52,534
Amount due to a related party		1,543	972
Lease liabilities		1,015	2,076
Current tax liabilities		670	2,378
		<u>115,320</u>	<u>156,417</u>
Net current assets		<u>53,886</u>	<u>66,780</u>
Net Assets		<u>90,359</u>	<u>81,805</u>
Capital and reserves			
Share capital	14	2,000	2,000
Reserves		88,372	79,819
Equity attributable to owners of the Company		90,372	81,819
Non-controlling interests		(13)	(14)
TOTAL EQUITY		<u>90,359</u>	<u>81,805</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	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	HK\$'000	
At 1 January 2022 (audited)	2,000	24,973	3,000	35,071	4,514	69,558	(7)	69,551
Profit and total comprehensive income/(expense) for the period (unaudited)	-	-	-	4,714	(2,431)	2,283	-	2,283
At 30 June 2022 (unaudited)	<u>2,000</u>	<u>24,973</u>	<u>3,000</u>	<u>39,785</u>	<u>2,083</u>	<u>71,841</u>	<u>(7)</u>	<u>71,834</u>
At 1 January 2023 (audited)	2,000	24,973	3,000	51,876	(30)	81,819	(14)	81,805
Profit and total comprehensive income/(expense) for the period (unaudited)	-	-	-	9,863	(1,310)	8,553	1	8,554
At 30 June 2023 (unaudited)	<u>2,000</u>	<u>24,973</u>	<u>3,000</u>	<u>61,739</u>	<u>(1,340)</u>	<u>90,372</u>	<u>(13)</u>	<u>90,359</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	Six months ended	
	30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash generated from/(used in) operating activities	47,715	(562)
Net cash used in investing activities	(17,478)	(658)
Net cash (used in)/generated from financing activities	(8,581)	6,225
Net increase in cash and cash equivalents	21,656	5,005
Cash and cash equivalents at beginning of period	19,333	4,704
Cash and cash equivalents at end of period	40,989	9,709
Analysis of cash and cash equivalents		
Bank and cash balances	40,989	9,709

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023

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 2022 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 2022.

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 2023. 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 2022. 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 2023

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	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Sales of transformers	56,896	40,918	104,305	78,424
Sales of switching mode power supply	785	771	1,626	1,369
Sales of electronic parts and components	43,317	44,045	110,299	78,936
Sales of electric healthcare products	165	197	1,041	197
Revenue from contracts with customers	101,163	85,931	217,271	158,926

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
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)	2022 HK\$'000 (audited)
Hong Kong	6,484	5,048	10,947	9,377	21,997	560
PRC	10,987	13,580	19,913	23,847	14,476	14,465
Europe	62,914	36,880	127,816	65,725	-	-
United States	7,221	8,221	12,030	17,085	-	-
India	10,647	17,633	39,975	33,998	-	-
Others	2,910	4,569	6,590	8,894	-	-
	101,163	85,931	217,271	158,926	36,473	15,025

All timing of revenue recognition is at a point in time for the six months ended 30 June 2023 and 2022.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023

4. OTHER INCOME

	For the three months ended 30 June		For the six months ended 30 June	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Bank interest	42	4	80	8
Other income	32	–	38	–
Government incentive	1,757	216	1,757	217
Sales of scrap materials	–	319	–	319
Gain on deregistration of a subsidiary	–	87	–	87
	<u>1,831</u>	<u>626</u>	<u>1,875</u>	<u>631</u>

5. OTHER GAINS

	For the three months ended 30 June		For the six months ended 30 June	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Fair value gain on investment through profit or loss	193	–	3,065	–
Net exchange gain	529	760	507	1,018
	<u>722</u>	<u>760</u>	<u>3,572</u>	<u>1,018</u>

6. FINANCE COSTS

	For the three months ended 30 June		For the six months ended 30 June	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Leases interests	17	43	41	92
Interest on bank borrowings	640	573	1,475	1,149
	<u>657</u>	<u>616</u>	<u>1,516</u>	<u>1,241</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023

7. INCOME TAX EXPENSE

	For the three months ended 30 June		For the six months ended 30 June	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Current tax:				
Hong Kong Profits Tax	(113)	440	356	839
PRC Enterprise Income Tax	182	399	951	399
	69	839	1,307	1,238

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 2023 and 2022.

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 2023 and 2022.

8. 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	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Directors' emoluments	526	410	879	763
Cost of inventories sold	91,033	75,381	190,466	138,608
Depreciation of plant and equipment	680	541	1,257	1,040
Depreciation of right-of-use assets	513	513	1,026	1,026
Research and development expenses	2,853	916	5,233	1,637
Staff Costs	12,742	12,259	24,611	21,539

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023

9. EARNINGS PER SHARE

	For the six months ended	
	30 June	
	2023	2022
	(unaudited)	(unaudited)
Earnings for the period attributable to owners of the Company (HK\$'000)	9,863	4,714
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 2023 and 2022 since there were no potential diluted ordinary shares in issue during both periods.

10. DIVIDENDS

No dividend was paid, declared or proposed during the interim periods ended 30 June 2023 and 30 June 2022.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2023, the Group acquired property, plant and equipment of approximately HK\$23,731,000 (six months ended 30 June 2022: HK\$660,000) and depreciation amounting to approximately HK\$1,257,000 was provided during the period (six months ended 30 June 2022: HK\$1,040,000).

12. 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	31 December
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(audited)
0 – 90 days	45,636	68,902
91 to 180 days	589	163
181 to 365 days	2	–
Over 1 year	584	692
	46,811	69,757

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023

13. 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 2023 HK\$'000 (unaudited)	31 December 2022 HK\$'000 (audited)
0 – 90 days	33,589	77,681
91 to 180 days	1,441	792
181 to 365 days	84	130
Over 1 year	547	418
	35,661	79,021

14. SHARE CAPITAL

	30 June 2023 HK\$'000 (unaudited)	31 December 2022 HK\$'000 (audited)
Authorised 1,000,000,000 ordinary shares of HK\$0.01 each	10,000	10,000
Issued and fully paid 200,000,000 ordinary shares of HK\$0.01 each	2,000	2,000

15. CAPITAL COMMITMENT

The Group had no material capital commitment as at 30 June 2023 and 31 December 2022.

16. CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 June 2023 and 31 December 2022.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023

17. 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	
	2023 <i>HK\$'000</i> (unaudited)	2022 <i>HK\$'000</i> (unaudited)
Rental paid to a related company		
T-Lab Electronics & Plastics (He Yuan) Co., Ltd	831	871

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023

(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	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Salaries and other benefits	629	556	1,258	1,111
Retirement benefit contributions	23	23	46	45
	652	579	1,304	1,156

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

18. 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.

19. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The unaudited condensed consolidated financial statements for the three months and six months ended 30 June 2023 were approved and authorised for issue by the Board on 8 August 2023.

OTHER INFORMATION

DISCLOSURE OF INTERESTS

(a) Interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or the associated corporations

As at 30 June 2023, the interests and short positions of the Directors and the chief executive 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%

OTHER INFORMATION

Save as disclosed above, as at 30 June 2023, 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 2023, the Directors and chief executive of the Company were not aware of any person, other than a Director or chief executive of the Company, or a corporation having an interest or short position in the shares and underlying shares of the Company which were required to be disclosed to the Company under the provision of Division 2 and 3 of Part XV of the SFO, or which were 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 annual report for the year ended 31 December 2022.

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 2023 to 30 June 2023 and there were no outstanding share options under the Share Option Scheme as at 30 June 2023 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 2023 (for the six months ended 30 June 2022: nil).

DIRECTOR'S RIGHT TO ACQUIRE SHARES

Save as disclosed in this report, at no time during the period from 1 January 2023 to 30 June 2023 (the "**Period**") 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).

OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

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.

During the period from 1 January 2023 to 30 June 2023, the Company has complied with the code provisions set out in Part 2 of 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.

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, none of the Directors or the controlling shareholders or 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 2023.

OTHER INFORMATION

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 2023. There is no disagreement by the Audit Committee with the accounting treatment adopted by the Company.

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.

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 Chi Hang, Larry
Chairman

Hong Kong, 8 August 2023

As at the date of this report, 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.