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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)**

**ANNUAL RESULTS ANNOUNCEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

**CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the 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 of the Stock Exchange 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**”) 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 and deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

## ANNUAL RESULTS

The board of Directors (the “**Board**”) is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2021, together with the comparative figures for the year ended 31 December 2020 as follows:

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

*For the year ended 31 December 2021*

	<i>Notes</i>	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Revenue</b>	3	<b>267,268</b>	155,935
Cost of sales		<u>(225,026)</u>	<u>(128,407)</u>
Gross profit		<b>42,242</b>	27,528
Interest revenue		<b>8</b>	45
Other income		<b>1,012</b>	1,714
Other losses		<b>(28)</b>	(181)
Selling and distribution expenses		<b>(8,023)</b>	(8,168)
Administrative expenses		<u>(20,275)</u>	<u>(18,288)</u>
<b>Profit from operations</b>		<b>14,936</b>	2,650
Finance costs		<u>(1,940)</u>	<u>(1,455)</u>
<b>Profit before tax</b>		<b>12,996</b>	1,195
Income tax expense	4	<u>(776)</u>	–
<b>Profit for the year</b>	5	<b>12,220</b>	1,195
<b>Other comprehensive income after tax:</b>			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		<u>1,393</u>	<u>2,642</u>
<b>Total comprehensive income for the year</b>		<u><b>13,613</b></u>	<u>3,837</u>
<b>Profit for the year attributable to:</b>			
Owners of the Company		<b>12,233</b>	1,202
Non-controlling interests		<u>(13)</u>	<u>(7)</u>
		<u><b>12,220</b></u>	<u>1,195</u>
<b>Total comprehensive income for the year attributable to:</b>			
Owners of the Company		<b>13,626</b>	3,844
Non-controlling interests		<u>(13)</u>	<u>(7)</u>
		<u><b>13,613</b></u>	<u>3,837</u>
<b>Earnings per share</b>			
Basic and diluted (HK cents)	7	<u><b>6.12</b></u>	<u>0.60</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 31 December 2021*

		As at <b>31 December 2021</b> <i>HK\$'000</i>	As at 31 December 2020 <i>HK\$'000</i>
	<i>Notes</i>		
<b>Non-current assets</b>			
Property, plant and equipment	8	12,487	10,735
Right-of-use assets		4,036	314
		<b>16,523</b>	11,049
<b>Current assets</b>			
Inventories		81,534	66,047
Trade and other receivables and prepayments	9	63,145	37,535
Pledged bank deposits		11,764	7,266
Bank and cash balances		4,704	6,957
		<b>161,147</b>	117,805
<b>Current liabilities</b>			
Trade and other payables and accruals	10	54,643	39,521
Contract liabilities		1,706	1,196
Bank loans and overdrafts	11	42,869	28,407
Amount due to a related party		4,781	3,469
Lease liabilities		2,168	323
		<b>106,167</b>	72,916
<b>Net current assets</b>		<b>54,980</b>	44,889
<b>Total assets less current liabilities</b>		<b>71,503</b>	55,938
<b>Non-current liabilities</b>			
Lease liabilities		1,952	–
<b>NET ASSETS</b>		<b>69,551</b>	55,938

		<b>As at 31 December 2021 <i>HK\$'000</i></b>	As at 31 December 2020 <i>HK\$'000</i>
	<i>Notes</i>		
<b>Capital and reserves</b>			
Share capital	<i>12</i>	<b>2,000</b>	2,000
Reserves		<b>67,558</b>	53,932
		<hr/>	<hr/>
Equity attributable to owners of the Company		<b>69,558</b>	55,932
Non-controlling interests		<b>(7)</b>	6
		<hr/>	<hr/>
<b>TOTAL EQUITY</b>		<b>69,551</b>	55,938
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## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

*For the year ended 31 December 2021*

### **1. GENERAL INFORMATION**

The Company was incorporated in the Cayman Islands with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business is Unit 5, 34th Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong. The Company's shares are listed on GEM of the Stock Exchange.

The Company is an investment holding company. The principal activities of the Group are the manufacture and trading of transformers, switching mode power supply, electronic parts and components and electric healthcare products.

### **2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS**

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations and effective for its accounting year beginning on 1 January 2021. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards; 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 year and prior years.

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

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

	<b>2021</b>	2020
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Sales of transformers	<b>133,907</b>	83,430
Sales of switching mode power supply	<b>3,919</b>	3,136
Sales of electronic parts and components	<b>128,763</b>	62,441
Sales of electric healthcare products	<b>679</b>	6,928
	<hr/>	<hr/>
Revenue from contracts with customers	<b>267,268</b>	155,935
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Disaggregation of revenue from contracts with customers:

#### Geographical information

The Group's operation is located in 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.

	<b>Revenue from</b>		<b>Non-current assets</b>	
	<b>external customers</b>			
	<b>2021</b>	2020	<b>2021</b>	2020
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Hong Kong	<b>28,101</b>	12,638	<b>1,071</b>	695
PRC	<b>53,725</b>	43,304	<b>15,452</b>	10,354
Europe	<b>94,503</b>	47,704	–	–
United States	<b>37,768</b>	21,884	–	–
India	<b>46,413</b>	19,784	–	–
Others	<b>6,758</b>	10,621	–	–
	<hr/>	<hr/>	<hr/>	<hr/>
	<b>267,268</b>	155,935	<b>16,523</b>	11,049
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

All timing of revenue recognition is at a point of time for the years ended 2021 and 2020.

Revenue from major customers individually accounting for 10% or more of total revenue are as follows:

	<b>2021</b>	2020
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Customer A (sales of transformers)	<b>13,579*</b>	15,921
Customer B (sales of electronic parts and other products)	<b>51,112</b>	22,216
Customer C (sales of transformers)	<b>46,297</b>	19,784
Customer D (sales of transformers)	<b>43,807</b>	23,833

\* Revenue from the customer did not exceed 10% of total revenue in this respective year. The amount was shown for comparative purpose.

#### **Sales of transformers, switching mode power supply, electronic parts and components and electric healthcare products**

The Group manufactures and sells transformers, switching mode power supply, electronic parts and components and electric healthcare products. Sales are recognised when control of the products has transferred, being when the products are delivered to a customer, there is no unfulfilled obligation that could affect the customer's acceptance of the products and the customer has obtained legal titles to the products.

Sales to customers are normally made with credit terms of 15 to 90 days. For new customers, deposits or cash on delivery may be required. Deposits received are recognised as a contract liability.

A receivable is recognised when the products are delivered to the customers as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

#### 4. INCOME TAX EXPENSE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current tax – Hong Kong Profits Tax		
Provision for the year	400	–
Current tax – PRC Enterprise Income Tax		
Provision for the year	376	–
	<u>776</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 year ended 31 December 2021. No provision for Hong Kong Profits tax has been made in the financial statements since the Group has sufficient tax losses brought forward to set off against current year's assessable profit for the year ended 31 December 2020.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and the Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25%, for the year ended 31 December 2021. No provision for PRC enterprise income tax has been made in the financial statements since the Group has sufficient tax losses brought forward to set off against the assessable profit for the year ended 31 December 2020.

The reconciliation between the income tax expense and the product of profit before tax multiplied by the Hong Kong Profits tax rate is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit before tax	<u>12,996</u>	<u>1,195</u>
Tax at Hong Kong Profits tax rate	2,144	197
Tax effect of income not taxable and expenses not deductible	(264)	(7)
Effect of different tax rates of subsidiaries	113	–
Tax effect of temporary differences not recognised	70	8
Tax effect of utilisation of tax losses not previously recognised	(1,535)	(472)
Tax effect of tax loss not recognised	<u>248</u>	<u>274</u>
Income tax expense	<u><u>776</u></u>	<u><u>–</u></u>

*Note:*

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiary. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to the profits earned by the PRC subsidiary because the amount is insignificant.

As at 31 December 2021, the Group has no unused tax losses (31 December 2020: HK\$2,266,000).



## 5. PROFIT FOR THE YEAR

The Group's profit for the year has been arrived at after (crediting)/charging the following:

	<b>2021</b>	2020
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Auditor's remuneration	<b>440</b>	430
Depreciation of property, plant and equipment	<b>2,025</b>	2,480
Depreciation of right-of-use assets	<b>2,024</b>	1,988
Loss on disposals of property, plant and equipment	<b>29</b>	65
Loss allowance provision for trade receivables	<b>116</b>	1,575
Cost of inventories sold (including depreciation and direct labor costs)	<b>224,823</b>	128,094
Research and development expenses	<b>3,099</b>	2,293
Directors' remuneration	<b>1,411</b>	1,411
Staff costs (not including directors' emoluments)		
Salaries, bonus and allowances	<b>37,903</b>	29,829
Retirement benefits scheme contributions	<b>3,740</b>	1,309
Total staff costs (including directors' emoluments)	<b>43,054</b>	32,549

## 6. DIVIDENDS

The Board did not recommend the payment of any dividend for the years ended 31 December 2021 and 2020.

## 7. EARNINGS PER SHARE

	<b>2021</b>	2020
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Earnings:		
Profit for the year attributable to owners of the Company for the purpose of calculating basic earnings per share	<b>12,233</b>	1,202
	<b>'000</b>	<i>'000</i>
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>200,000</b>	200,000

No diluted earnings per share for the current and prior year was presented as there were no potential ordinary shares in issue.

## 8. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Furniture, fixtures and office equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>COST</b>					
At 1 January 2020	1,695	18,962	1,734	2,960	25,351
Additions	229	1,115	9	–	1,353
Disposals	–	(987)	(277)	(10)	(1,274)
Exchange differences	160	832	193	372	1,557
At 31 December 2020 and 1 January 2021					
At 1 January 2021	2,084	19,922	1,659	3,322	26,987
Additions	539	3,438	27	–	4,004
Disposals	–	(472)	(8)	–	(480)
Exchange differences	63	519	34	254	870
At 31 December 2021	2,686	23,407	1,712	3,576	31,381
<b>ACCUMULATED DEPRECIATION</b>					
At 1 January 2020	650	9,936	1,271	2,308	14,165
Charge for the year	482	1,541	125	332	2,480
Eliminated on disposals	–	(937)	(263)	(9)	(1,209)
Exchange differences	90	526	64	136	816
At 31 December 2020 and 1 January 2021					
At 1 January 2021	1,222	11,066	1,197	2,767	16,252
Charge for the year	566	1,244	44	171	2,025
Eliminated on disposals	–	(5)	(7)	(7)	(19)
Exchange differences	69	317	33	217	636
At 31 December 2021	1,857	12,622	1,267	3,148	18,894
<b>CARRYING AMOUNTS</b>					
At 31 December 2021	829	10,785	445	428	12,487
At 31 December 2020	862	8,856	462	555	10,735

## 9. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables	58,802	37,600
Less: allowance for doubtful receivables	<u>(4,484)</u>	<u>(4,368)</u>
	54,318	33,232
Deposits	378	314
Prepayments	5,327	1,403
Other tax recoverable	1,698	1,209
Other receivables	<u>1,424</u>	<u>1,377</u>
	<u><u>63,145</u></u>	<u><u>37,535</u></u>

During the year, the Group discounted certain trade receivables to a bank for cash proceeds. If the trade receivables are not paid at maturity, the bank has the right to request the Group to pay the unsettled balance. As the Group has not transferred the significant risks and rewards relating to these trade receivables, it continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as a secured borrowing (see note 11). The carrying amount of the trade receivables as at 31 December 2021 that have been transferred but have not been derecognised amounted to HK\$5,076,000 (31 December 2020: HK\$2,420,000) and the carrying amount of the associated liability is HK\$3,885,000 (31 December 2020: HK\$1,537,000).

The Group allows an average credit period of 15 to 90 days to its trade customers. The aging analysis of trade receivables, based on the invoice date, and net of allowance, is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0 to 90 days	53,202	31,186
91 to 180 days	62	1,321
181 to 365 days	311	239
Over 1 year	<u>743</u>	<u>486</u>
	<u><u>54,318</u></u>	<u><u>33,232</u></u>

Before accepting any new customer, the Company assesses the potential customer's credit quality and defines credit limits by customer. The trade receivables that are neither past due nor impaired have no default payment history.

Included in the trade receivable balance are debtors with aggregate amount of HK\$5,943,000 as at 31 December 2021 (31 December 2020: HK\$4,902,000) which is past due as at the reporting date for which the Company has not provided for impairment loss because the status of subsequent settlement of the debtors is satisfactory. The Company does not hold any collateral over these balances.

## Reconciliation of allowance for trade receivables

	2021 HK\$'000	2020 HK\$'000
At the beginning of the year	4,368	2,793
Loss allowance provision for the year	<u>116</u>	<u>1,575</u>
At the end of the year	<u><u>4,484</u></u>	<u><u>4,368</u></u>

Allowances for doubtful debts are recognised against trade receivables based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position. Included in the allowance for doubtful debts are individually impaired trade debtors with an aggregate balance of HK\$4,484,000 as at 31 December 2021 (31 December 2020: HK\$4,368,000) which have been in severe financial difficulties.

The Group applies the simplified approach under HKFRS 9 to provide for expected credit losses using the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information.

	Current	1-30 days past due	31-60 days past due	61-120 days past due	121 days - 1 year past due	Over 1 year past due	Total
<b>At 31 December 2021</b>							
Weighted average expected loss rate	0%	1%	4%	2%	1%	86%	
Receivable amount (HK'000)	48,398	4,825	26	41	311	5,201	58,802
Loss allowance (HK'000)	-	19	1	1	2	4,461	4,484
<b>At 31 December 2020</b>							
Weighted average expected loss rate	0%	1%	1%	2%	2%	90%	
Receivable amount (HK'000)	28,370	2,827	444	902	244	4,813	37,600
Loss allowance (HK'000)	-	10	3	22	5	4,328	4,368

## 10. TRADE AND OTHER PAYABLES AND ACCRUALS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade payables	48,917	34,842
Accrued expenses	4,623	4,328
Other tax payables	1,103	351
	<u>54,643</u>	<u>39,521</u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0 to 90 days	47,625	24,803
91 to 180 days	650	3,216
181 to 365 days	219	6,179
Over 1 year	423	644
	<u>48,917</u>	<u>34,842</u>

The average credit period on purchases of goods is 90 days.

## 11. BANK LOANS AND OVERDRAFTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Bank loans	21,143	16,286
Trust receipt loans	15,749	10,584
Factoring loans ( <i>note 9</i> )	3,885	1,537
Bank overdrafts	2,092	–
	<u>42,869</u>	<u>28,407</u>
Bank loans, trust receipt loans, factoring loans and bank overdrafts which are secured by assets held by the Group ( <i>note 13</i> )	23,726	14,121
Bank loans which are secured by assets held by a related party ( <i>note 14</i> )	12,240	14,259
Unsecured bank loans	6,903	27
	<u>42,869</u>	<u>28,407</u>

	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
The bank loans and overdrafts are guaranteed by the Company, directors and a related party ( <i>note 14</i> )		
The borrowings are repayable as follows:		
On demand or within one year	<u>42,869</u>	<u>28,407</u>
	<b>42,869</b>	28,407
Less: Amount due for settlement within 12 months (shown under current liabilities)	<u>(42,869)</u>	<u>(28,407)</u>
Amount due for settlement after 12 months	<u><u>–</u></u>	<u><u>–</u></u>

Included in bank loans and overdrafts are the following amounts denominated in a currency other than the functional currency of the corresponding group entity which it relates:

	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
HK\$	<u><u>12,490</u></u>	<u><u>4,737</u></u>

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's bank loans and overdrafts as at 31 December 2021 and 2020, respectively, are as follows:

	<b>2021</b>	2020
Effective interest rates (per annum):		
Variable interest rates	<u><u>2.30%-4.12%</u></u>	<u><u>1.82%-4.79%</u></u>

## 12. SHARE CAPITAL

	Number of shares	Share capital HK\$
Authorised:		
Ordinary shares of HK\$0.01 (2020: HK\$0.01) each		
At 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	1,000,000,000	10,000,000
	<u>1,000,000,000</u>	<u>10,000,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.01 (2020: HK\$0.01) each		
At 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	200,000,000	2,000,000
	<u>200,000,000</u>	<u>2,000,000</u>

## 13. PLEDGE OF ASSETS

The following assets of the Group were pledged at the end of the reporting period for certain banking facilities granted to the Group:

	2021 HK\$'000	2020 HK\$'000
Pledged bank deposits	11,764	7,266
Trade receivables	5,076	2,420
	<u>16,840</u>	<u>9,686</u>

#### 14. RELATED-PARTY TRANSACTIONS

- (a) The Group had the following balance with a related company at the end of the reporting period:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Amount due to a related company:</b>		
T-Lab Electronics & Plastics (He Yuan) Co., Ltd.*	<u>4,781</u>	<u>3,469</u>

\* The beneficial owner of the related company is Mr. Chung Chi Hang Larry.

- (b) The Group entered into the following transaction with a related party during the year:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Rental paid to a related party</b>		
T-Lab Electronics & Plastics (He Yuan) Co., Ltd	<u>1,821</u>	<u>1,768</u>

- (c) The Group's bank loans have been guaranteed and secured by a related company at the end of the reporting period:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Amount of bank loans guaranteed and secured by a related company:</b>		
T-Lab Electronics & Plastics (He Yuan) Co., Ltd	<u>12,240</u>	<u>14,259</u>

- (d) **Key management personnel emoluments**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including Directors and other key management of the Group. The key management personnel compensations are as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Basic salaries and allowances	2,227	2,227
Retirement benefit contributions	<u>91</u>	<u>85</u>
	<u>2,318</u>	<u>2,312</u>



## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

During the year, 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 50.1% of the Group's sales for the year ended 31 December 2021 (for the year ended 31 December 2020: approximately 53.5%). The switching mode power supply represented approximately 1.5% of the Group's sales for the year ended 31 December 2021 (for the year ended 31 December 2020: approximately 2.0%). The electronic parts and components and others products represented approximately 48.2% of the Group's sales for the year ended 31 December 2021 (for the year ended 31 December 2020: approximately 40.0%). The electric healthcare products accounted for approximately 0.2% of the Group's sales for the year ended 31 December 2021 (for the year ended 31 December 2020: 4.4%).

Revenue generated by the Group increased during the year as compared to the corresponding period in the previous year. It was mainly due to the resumption of shipment and/or delivery schedule of goods which had initially been postponed due to the outbreak of COVID-19. With a low comparison base, the resumption of postponed shipment and/or delivery schedule of goods and the establishment of additional production lines in 2021, the Group recorded a sharp period-to-period growth. Further to that, an existing customer of the Company that engaged in the production of components for clean energy appliances, had increased the placement of purchase orders for electronic parts and components during the year to meet the continuing surge in demand for clean energy appliances.

The Group's manufacturing process mainly involved copper and steel as raw materials for the Group's products. The management of the Group observed the average copper price had been surging and hence on 29 September 2021, a new set of hedging policy regarding dealings in copper option contracts was adopted by the Board for better control on the material costs of the Group and restate the Group's business needs.

The operating margin has declined during the period under review. It was mainly attributable to the increase in the costs of the raw materials, including the increase in the average copper price, which was offset by the enhanced overall productivity of the Group brought by the Group's effort to streamline manufacturing processes and optimise quality control.

During the year, 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 Group capitalised on the recovery of manufacturing sector and was able to resume the postponed shipment and/or delivery schedule of goods during the year. However, due to the travel restrictions and the mandatory quarantine measures in response to COVID-19, the Group was not able to promote its products through traditional exhibitions and physical marketing events.

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

## **FINANCIAL REVIEW**

The Group's revenue increased by approximately HK\$111.4 million, or 71.5%, from approximately HK\$155.9 million for the year ended 31 December 2020 to approximately HK\$267.3 million for the year ended 31 December 2021. Such increase was primarily due to (i) the resumption of postponed shipment and/or delivery schedule of goods; (ii) an existing customer of the Company that engaged in the production of components for clean energy appliances, had increased the placement of purchase orders for inverters as electronic parts and components; and (iii) the increase in sales price due to an increase in the costs of raw materials.

Cost of sales increased by approximately HK\$96.6 million, or 75.2%, from approximately HK\$128.4 million for the year ended 31 December 2020 to approximately HK\$225.0 million for the year ended 31 December 2021. The increase was in line with the increase in revenue and was primarily due to the increase in the costs of raw materials during the period under review.

As a result, the Group's gross profit increased by approximately HK\$14.7 million, or 53.5%, from approximately HK\$27.5 million for the year ended 31 December 2020 to approximately HK\$42.2 million for the year ended 31 December 2021. While gross profit margin decreased from 17.7% for the year ended 31 December 2020 to 15.8% for the year ended 31 December 2021. Such decrease was mainly attributable to the increase in the costs of raw materials.

Other income decreased by approximately HK\$0.7 million, or 41.2%, from approximately HK\$1.7 million for the year ended 31 December 2020 to approximately HK\$1.0 million for the year ended 31 December 2021. Such decrease was mainly due to the reason that the one-off subsidies received from and granted by the government of the PRC during the corresponding period in 2020 were no longer available during the period under review.

Other losses decreased by approximately HK\$153,000, or 84.5%, from approximately HK\$181,000 for the year ended 31 December 2020 to approximately HK\$28,000 for the year ended 31 December 2021. Such decrease was mainly attributable to the appreciation of Renminbi against US dollars during the year as some of the sales were billed in Renminbi but settled in US dollars at a pre-determined rate fixed on invoice date.

Selling and distribution expenses decreased by approximately HK\$0.2 million, or 2.4%, from approximately HK\$8.2 million for the year ended 31 December 2020 to approximately HK\$8.0 million for the year ended 31 December 2021. Such decrease was mainly attributable to the one-off recognition of the bad debt in 2020 as a result of the outbreak of COVID-19 which was offset by the increase of expenses as a result of the corresponding increase in revenue.

Administrative expenses increased by approximately HK\$2.0 million, or 10.9%, from approximately HK\$18.3 million for the year ended 31 December 2020 to approximately HK\$20.3 million for the year ended 31 December 2021. Such increase was mainly attributable to (i) the increase of expenses as a result of the corresponding increase in revenue during the period under review; and (ii) the one-off rental expenses and staff social insurance concession were entitled during the corresponding period in 2020 which were no longer available during the period under review.

Finance costs increased by approximately HK\$0.4 million, or 26.7%, from approximately HK\$1.5 million for the year ended 31 December 2020 to approximately HK\$1.9 million for the year ended 31 December 2021. Such increase was mainly attributable to the accounting recognition on leases interest and the increase of the bank borrowings during the period under review.

Income tax expenses changed from nil for the year ended 31 December 2020 to approximately HK\$776,000 for the year ended 31 December 2021. Such change was attributable to the increase of assessable profit as a result from the increase of the profit before tax for the year ended 31 December 2021, and no provision for Profits tax has been made since there were sufficient tax losses brought forward to set off against assessable profit for the corresponding period in 2020.

As a result of the above, the Group recorded a profit of approximately HK\$12.2 million for the year ended 31 December 2021 (for the year ended 31 December 2020: approximately HK\$1.2 million).

## **PROSPECT**

The spread of COVID-19 including its new variants 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 and material costs.

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

The management of the Group is determined to rise to these challenges. The production team maintains sufficient inventory buffer 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 policy during the year regarding dealings in copper option contracts for better control on the material costs of the Group.

In view of the situation of COVID-19 suddenly having become worse since the end of 2021, the normal production and operation of the Group's businesses, and the logistics network for the delivery of the goods were partially affected. In order to cope with the situation, the management assigned a team to arrange our employees to work from home, on shift or in separate teams to avoid gathering and monitor the operations of the Group. Also, the management sustained the Group's competitive advantages by solidifying business relationships with existing customers through various digitally-enabled channels including video conferencing. As a result of the above measures adopted by the Group, there is no impact on receiving the orders from our customers, and the Directors consider the effect of the pandemic is minimal.

In addition, the management spotted a rising demand of clean energy appliances as the global policies leaned more towards renewability and sustainability. The Company has carried out research on relevant products and actively explored the potential market through different marketing channels. Besides, after continuous delivery of products with satisfactory quality control and the strong demographics and growing consumption, particularly in India, the Group recorded increasing orders from the newly developed customer base. With the increased production capacity during the period under review to cope with the increasing demand from the customers, the management is confident that the Group can continue to accelerate business growth. In the meantime, the Group pays careful attention to the development of the pandemic and accordingly evaluates the impact on its financial position and performance. Also, the management of the Group monitors any changes to regulations and instructions in compliance with industrial safety and public health policies; and deploys appropriate preventive measures to enhance the protection of the Group's employees by providing a healthy and hygienic environment both in the office and at the sites.

In the long run, the Group is confident that it shall explore 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 31 December 2021, the Group had a financial position with net assets amounted to approximately HK\$69.6 million (31 December 2020: approximately HK\$55.9 million). Net current assets stood at approximately HK\$55.0 million (31 December 2020: approximately HK\$44.9 million).

As at 31 December 2021, shareholder's fund amounted to approximately HK\$69.6 million (31 December 2020: approximately HK\$55.9 million). Current assets amounted to approximately HK\$161.1 million (31 December 2020: approximately HK\$117.8 million), mainly comprising inventories, trade and other receivables and prepayments, pledged bank deposits, bank and cash balances. Current liabilities amounted to approximately HK\$106.2 million (31 December 2020: approximately HK\$72.9 million), mainly comprising trade and other payables and accruals, bank borrowings and overdrafts.

As at 31 December 2021, the Group's bank and cash balances amounted to approximately HK\$4.7 million (31 December 2020: approximately HK\$7.0 million). Net asset value per share was HK\$0.35 (31 December 2020: HK\$0.28).

As at 31 December 2021, the gearing ratio of the Group, which is based on the ratio of interest bearing borrowings net of bank and cash balance to total equity, was approximately 0.55 (31 December 2020: approximately 0.38). Such increase was mainly due to the increase of the bank borrowings.

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 funds raised from the capital market from time to time.

## CAPITAL EXPENDITURE

For each of the years ended 31 December 2021 and 31 December 2020, the Group incurred capital expenditures in respect of additions of property, plant and equipment in the amount of approximately HK\$4.0 million and HK\$1.4 million respectively. The following table sets out the financial capital expenditures during the years under review:

	Year ended 31 December	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Plant and Machinery	3,438	1,115
Leasehold improvements	539	229
Furniture, fixtures and other equipment	27	9
<b>TOTAL</b>	<b>4,004</b>	<b>1,353</b>

The capital expenditures incurred in each of the years ended 31 December 2021 and 31 December 2020 primarily related to replacing plant and machinery, leasehold improvements, and replacing of furniture, fixtures and other equipment and motor vehicles. The Group funded capital expenditures primarily with the cash generated from operating activities.

## **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 31 December 2021, the issued share capital of the Group comprised only ordinary shares. The capital structure of the Group mainly consists of borrowings from bank and equity attributable to owners of the Group, comprising issued share capital and retained earnings respectively. Borrowings from bank were denominated in Hong Kong dollars which were secured by pledged bank deposits and trade receivables of the Group.

## **FOREIGN EXCHANGE EXPOSURE**

The sales of the Group are mainly denominated in US dollars. However, the Group has certain foreign currency sales and purchases transactions denominated in Renminbi and Hong Kong dollars, which may expose the Group to foreign currency risk. The Group currently has no foreign currency hedging policy and the management 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 31 December 2021, the Group did not have any significant investment held (31 December 2020: nil).

## **CONTINGENT LIABILITIES**

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

## **CAPITAL COMMITMENT**

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

## EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2021, the Group had approximately 487 employees (31 December 2020: approximately 432 employees), including the Directors. Total staff costs excluding Directors' remuneration for the year ended 31 December 2021 amounted to approximately HK\$41.6 million (for the year ended 31 December 2020: approximately HK\$31.1 million). Remuneration packages including staff benefits are maintained at a competitive level and reviewed on a periodical 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 Group were pledged at the end of the reporting period for certain banking facilities granted to the Group:

	<b>31 December 2021 HK\$'000</b>	31 December 2020 HK\$'000
Pledged bank deposits ( <i>note 13</i> )	11,764	7,266
Trade receivables ( <i>note 13</i> )	<u>5,076</u>	<u>2,420</u>
	<b><u>16,840</u></b>	<b><u>9,686</u></b>

## MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the year ended 31 December 2021, the Group did not have any material acquisitions nor disposals of subsidiaries and affiliated companies.

## FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 31 December 2021, the Group did not have any plans for material investments and capital assets.

## EVENTS AFTER THE REPORTING PERIOD

The Group has closely monitored and responded to the current situation of COVID-19, and considers that there has not been significant impact on the Company's operation and management. As far as the Directors are aware, there were no significant events after the reporting period up to the date of this announcement.



## **OTHER INFORMATION**

### **FINAL DIVIDEND**

The Board does not recommend the payment of a final dividend for the year ended 31 December 2021 (for the year ended 31 December 2020: nil).

### **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 (the “**CG Code**”) contained in Appendix 15 of the GEM Listing Rules to ensure that the Group’s business activities and decision making processes are regulated in a proper and prudent manner.

During the year ended 31 December 2021, the Company had complied with the CG Code as set out in Appendix 15 of the GEM Listing Rules.

### **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. Having made specific enquiry of all Directors, all of them confirmed that they had complied with the required standard of dealings and its code of conduct regarding securities transactions by the Directors during the year ended 31 December 2021.

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

During the year ended 31 December 2021, the Company did not redeem any of its shares, and neither did the Company nor any of its subsidiaries purchase or sell any of the Company's shares.

## **AUDITORS**

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in the preliminary announcement have been agreed by the Group's auditors, ZHONGHUI ANDA CPA Limited, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by ZHONGHUI ANDA CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by ZHONGHUI ANDA CPA Limited on this preliminary announcement.

## **ANNUAL GENERAL MEETING**

The forthcoming annual general meeting (the "**Annual General Meeting**") of the Company is scheduled to be held on Monday, 6 June 2022. A notice convening the Annual General Meeting will be issued and dispatched to the shareholders of the Company in due course. Subject to the development of COVID-19, the Company may implement further precautionary measures and may issue further announcements and notice on such measures as appropriate.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from 30 May 2022 to 6 June 2022 (both days inclusive) during which period no transfer of the Company's shares will be registered. In order to be eligible to attend and vote at the Annual General Meeting, all transfers of the Company's shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration no later than 4:00 p.m. on 27 May 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 primary duties of the Audit Committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management system of the Group, to oversee the audit process, to develop and review the policies of the Group and to perform other duties and responsibilities as assigned 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. The Audit Committee has reviewed the audited consolidated annual results of the Group for the year ended 31 December 2021.

#### **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 the 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 ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY**

This announcement is published on the websites of the GEM of Stock Exchange ([www.hkgem.com](http://www.hkgem.com)) and the Company ([www.keenocan.com.hk](http://www.keenocan.com.hk)). The annual report of the Company for the year ended 31 December 2021 containing all the information required by the GEM Listing Rules will be dispatched to the Company’s shareholders and posted on the above websites in due course.

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

Hong Kong, 21 March 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 on the GEM website at [www.hkgem.com](http://www.hkgem.com) for at least 7 days from the date of its posting. This announcement will also be published on the Company’s website at [www.keenocan.com.hk](http://www.keenocan.com.hk).*