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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 2022

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

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

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

*This announcement, for which the directors (the “**Directors**”) of Keen Ocean International Holding Limited (the “**Company**”) 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**” or “**We**”). The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

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 2022, together with the comparative figures for the year ended 31 December 2021 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	2022 HK\$'000	2021 HK\$'000
Revenue	3	394,867	267,268
Cost of sales		<u>(337,125)</u>	<u>(225,026)</u>
Gross profit		57,742	42,242
Interest revenue		87	8
Other income		1,975	1,012
Other gains/(losses)		3,327	(28)
Selling and distribution expenses		(9,153)	(8,023)
Administrative expenses		<u>(30,059)</u>	<u>(20,275)</u>
Profit from operations		23,919	14,936
Finance costs		<u>(2,910)</u>	<u>(1,940)</u>
Profit before tax		21,009	12,996
Income tax expense	4	<u>(4,211)</u>	<u>(776)</u>
Profit for the year	5	16,798	12,220
Other comprehensive income after tax:			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		<u>(4,544)</u>	<u>1,393</u>
Total comprehensive income for the year		<u>12,254</u>	<u>13,613</u>
Profit for the year attributable to:			
Owners of the Company		16,805	12,233
Non-controlling interests		<u>(7)</u>	<u>(13)</u>
		<u>16,798</u>	<u>12,220</u>
Total comprehensive income for the year attributable to:			
Owners of the Company		12,261	13,626
Non-controlling interests		<u>(7)</u>	<u>(13)</u>
		<u>12,254</u>	<u>13,613</u>
Earnings per share			
Basic and diluted (HK cents)	7	<u>8.40</u>	<u>6.12</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

		As at 31 December 2022 <i>HK\$'000</i>	As at 31 December 2021 <i>HK\$'000</i>
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	8	13,041	12,487
Right-of-use assets		1,984	4,036
		15,025	16,523
Current assets			
Inventories		104,106	81,534
Trade and other receivables and prepayments	9	86,123	63,145
Investments at fair value through profit or loss	10	1,800	–
Pledged bank deposits		11,835	11,764
Bank and cash balances		19,333	4,704
		223,197	161,147
Current liabilities			
Trade and other payables and accruals	11	87,080	53,867
Contract liabilities		11,377	1,706
Bank loans and overdrafts	12	52,534	42,869
Amount due to a related party		972	4,781
Lease liabilities		2,076	2,168
Current tax liabilities		2,378	776
		156,417	106,167
Net current assets		66,780	54,980
Total assets less current liabilities		81,805	71,503
Non-current liabilities			
Lease liabilities		–	1,952
NET ASSETS		81,805	69,551

		As at 31 December 2022	As at 31 December 2021
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Capital and reserves			
Share capital	<i>13</i>	2,000	2,000
Reserves		79,819	67,558
		<hr/>	<hr/>
Equity attributable to owners of the Company		81,819	69,558
Non-controlling interests		(14)	(7)
		<hr/>	<hr/>
TOTAL EQUITY		81,805	69,551
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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 2022. 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:

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sales of transformers	219,390	133,907
Sales of switching mode power supply	2,645	3,919
Sales of electronic parts and components	171,260	128,763
Sales of electric healthcare products	1,572	679
	<hr/>	<hr/>
Revenue from contracts with customers	394,867	267,268
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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.

	Revenue from		Non-current assets	
	external customers			
	2022	2021	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	28,691	28,101	560	1,071
PRC	48,939	53,725	14,465	15,452
Europe	148,225	94,503	–	–
United States	31,373	37,768	–	–
India	124,512	46,413	–	–
Others	13,127	6,758	–	–
	<hr/>	<hr/>	<hr/>	<hr/>
	394,867	267,268	15,025	16,523
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

All timing of revenue recognition is at a point of time for the years ended 2022 and 2021.

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

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Customer A (sales of transformers)	41,584	13,579*
Customer B (sales of electronic parts and other products)	124,512	51,112
Customer C (sales of transformers)	106,115	46,297
Customer D (sales of transformers)	14,967*	43,807
	=====	=====

* 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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current tax – Hong Kong Profits Tax		
Provision for the year	1,429	400
Current tax – PRC Enterprise Income Tax		
Provision for the year	2,782	376
	<u>4,211</u>	<u>776</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 years ended 31 December 2022 and 2021.

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 years ended 31 December 2022 and 2021.

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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Profit before tax	21,009	12,996
Tax at Hong Kong Profits tax rate	3,466	2,144
Tax effect of income not taxable and expenses not deductible	(319)	(264)
Effect of different tax rates of subsidiaries	787	113
Tax effect of temporary differences not recognised	72	70
Tax effect of utilisation of tax losses not previously recognised	–	(1,535)
Tax effect of tax loss not recognised	205	248
Income tax expense	<u>4,211</u>	<u>776</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 2022, the Group has no unused tax losses (31 December 2021: Nil).

5. PROFIT FOR THE YEAR

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

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Auditor's remuneration	443	440
Cost of inventories sold (including depreciation and direct labor costs)	336,371	224,823
Depreciation of property, plant and equipment	2,787	2,025
Depreciation of right-of-use assets	2,052	2,024
(Gain)/loss on disposals of property, plant and equipment	(47)	29
Loss allowance provision for trade receivables	49	116
Research and development expenses	11,744	3,099
Directors' remuneration	1,603	1,411
Staff costs (not including directors' emoluments)		
Salaries, bonus and allowances	41,908	37,903
Retirement benefits scheme contributions	4,136	3,740
Total staff costs (including directors' emoluments)	47,647	43,054

6. DIVIDENDS

The Board did not recommend the payment of any dividend for the years ended 31 December 2022 and 2021.

7. EARNINGS PER SHARE

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Earnings:		
Profit for the year attributable to owners of the Company for the purpose of calculating basic earnings per share	16,805	12,233
	'000	<i>'000</i>
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	200,000	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>
COST					
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 and 1 January 2022	2,686	23,407	1,712	3,576	31,381
Additions	529	3,867	17	–	4,413
Disposals	–	(589)	–	(904)	(1,493)
Exchange differences	(190)	(1,383)	(194)	(552)	(2,319)
At 31 December 2022	3,025	25,302	1,535	2,120	31,982
ACCUMULATED DEPRECIATION					
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 and 1 January 2022	1,857	12,622	1,267	3,148	18,894
Charge for the year	800	1,852	72	63	2,787
Eliminated on disposals	–	(498)	–	(859)	(1,357)
Exchange differences	(152)	(897)	(26)	(308)	(1,383)
At 31 December 2022	2,505	13,079	1,313	2,044	18,941
CARRYING AMOUNTS					
At 31 December 2022	520	12,223	222	76	13,041
At 31 December 2021	829	10,785	445	428	12,487

9. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	74,290	58,802
Less: allowance for doubtful receivables	(4,533)	(4,484)
	69,757	54,318
Deposits	1,343	378
Prepayments	8,048	5,327
Other tax recoverable	3,756	1,698
Other receivables	3,219	1,424
	86,123	63,145

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 12). The carrying amount of the trade receivables as at 31 December 2022 that have been transferred but have not been derecognised amounted to HK\$3,006,000 (31 December 2021: HK\$5,076,000) and the carrying amount of the associated liability is HK\$1,938,000 (31 December 2021: HK\$3,885,000).

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:

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 90 days	68,902	53,202
91 to 180 days	163	62
181 to 365 days	–	311
Over 1 year	692	743
	69,757	54,318

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\$7,104,000 as at 31 December 2022 (31 December 2021: HK\$5,943,000) 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

	2022 HK\$'000	2021 HK\$'000
At the beginning of the year	4,484	4,368
Loss allowance provision for the year	<u>49</u>	<u>116</u>
At the end of the year	<u><u>4,533</u></u>	<u><u>4,484</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\$4,533,000 as at 31 December 2022 (31 December 2021: HK\$4,484,000) 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
At 31 December 2022							
Weighted average expected loss rate	0%	1%	4%	5%	0%	87%	
Receivable amount (HK'000)	62,675	6,249	71	93	–	5,202	74,290
Loss allowance (HK'000)	–	15	3	5	–	4,510	4,533
At 31 December 2021							
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

10. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Included in current assets		
– Copper option contract – put option	1,800	–
	<u>1,800</u>	<u>–</u>

11. TRADE AND OTHER PAYABLES AND ACCRUALS

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	79,021	48,917
Accrued expenses	7,877	4,623
Other tax payables	182	327
	<u>87,080</u>	<u>53,867</u>

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

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 90 days	77,681	47,625
91 to 180 days	792	650
181 to 365 days	130	219
Over 1 year	418	423
	<u>79,021</u>	<u>48,917</u>

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

12. BANK LOANS AND OVERDRAFTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Bank loans	32,182	21,143
Trust receipt loans	17,804	15,749
Factoring loans (<i>note 9</i>)	1,938	3,885
Bank overdrafts	610	2,092
	<u>52,534</u>	<u>42,869</u>
	<u><u>52,534</u></u>	<u><u>42,869</u></u>
Bank loans, trust receipt loans, factoring loans and bank overdrafts which are secured by assets held by the Group (<i>note 14</i>)	22,997	23,726
Bank loans which are secured by assets held by a related party (<i>note 15</i>)	28,249	12,240
Unsecured bank loans	1,288	6,903
	<u>52,534</u>	<u>42,869</u>
	<u><u>52,534</u></u>	<u><u>42,869</u></u>

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
The bank loans and overdrafts are guaranteed by the Company, directors and a related party (<i>note 15</i>)		
The borrowings are repayable as follows:		
On demand or within one year	52,534	42,869
	<u>52,534</u>	<u>42,869</u>
Less: Amount due for settlement within 12 months (shown under current liabilities)	(52,534)	(42,869)
	<u>(52,534)</u>	<u>(42,869)</u>
Amount due for settlement after 12 months	–	–
	<u>–</u>	<u>–</u>
	<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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
HK\$	–	12,490
	<u>–</u>	<u>12,490</u>
	<u><u>–</u></u>	<u><u>12,490</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 2022 and 2021, respectively, are as follows:

	2022	2021
Effective interest rates (per annum):		
Variable interest rates	<u>2.50% to 7.41%</u>	<u>2.30% to 4.12%</u>

13. SHARE CAPITAL

	Number of shares	Share capital HK\$
Authorised:		
Ordinary shares of HK\$0.01 (2021: HK\$0.01) each		
At 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	<u>1,000,000,000</u>	<u>10,000,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.01 (2021: HK\$0.01) each		
At 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	<u>200,000,000</u>	<u>2,000,000</u>

14. 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:

	2022 HK\$'000	2021 HK\$'000
Pledged bank deposits	11,835	11,764
Trade receivables	<u>3,006</u>	<u>5,076</u>
	<u>14,841</u>	<u>16,840</u>

15. RELATED-PARTY TRANSACTIONS

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Amount due to a related company:		
T-Lab Electronics & Plastics (He Yuan) Co., Ltd.*	<u>972</u>	<u>4,781</u>

* The beneficial owner of the related company is Mr. Chung Chi Hang, Larry, a director of the Company.

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Rental paid to a related party		
T-Lab Electronics & Plastics (He Yuan) Co., Ltd	<u>1,681</u>	<u>1,821</u>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Amount of bank loans guaranteed and secured by a related company:		
T-Lab Electronics & Plastics (He Yuan) Co., Ltd	<u>28,249</u>	<u>12,240</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 certain director of the Company and other key management of the Group. The key management personnel compensations are as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Basic salaries and allowances	2,482	2,227
Retirement benefit contributions	<u>93</u>	<u>91</u>
	<u>2,575</u>	<u>2,318</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 55.6% of the Group's sales for the year ended 31 December 2022 (for the year ended 31 December 2021: approximately 50.1%). The switching mode power supply represented approximately 0.7% of the Group's sales for the year ended 31 December 2022 (for the year ended 31 December 2021: approximately 1.5%). The electronic parts and components and others products represented approximately 43.4% of the Group's sales for the year ended 31 December 2022 (for the year ended 31 December 2021: approximately 48.2%). The electric healthcare products accounted for approximately 0.3% of the Group's sales for the year ended 31 December 2022 (for the year ended 31 December 2021: 0.2%).

Revenue generated by the Group increased during the year as compared to the corresponding period in the previous year. This was mainly due to the increase in purchase orders for transformers, and electronic parts and components from several existing customers during the period under review to meet the continuing surge in demand of clean energy appliances, 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 steel as raw materials for the Group's products. The management of the Group observed the average copper price has decreased slightly in last quarter of 2022 compared to the same period in 2021. 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 declined during the period under review. This was mainly attributable to the increase in the costs of the raw materials and the productions costs during the period under review.

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 also 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 still 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.

The Group is aware of the recent incident involving Silicon Valley Bank (SVB) and the appointment of the Federal Deposit Insurance Corporation of the United States of America (FDIC) as receiver of SVB due to liquidity concerns. The Group's management confirms that the Group neither has had any business dealings nor has placed any deposits with SVB or its affiliates and as such there is no impact to the Group.

FINANCIAL REVIEW

The Group's revenue increased by approximately HK\$127.6 million, or 47.7%, from approximately HK\$267.3 million for the year ended 31 December 2021 to approximately HK\$394.9 million for the year ended 31 December 2022. 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\$112.1 million, or 49.8%, from approximately HK\$225.0 million for the year ended 31 December 2021 to approximately HK\$337.1 million for the year ended 31 December 2022. 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\$15.5 million, or 36.7%, from approximately HK\$42.2 million for the year ended 31 December 2021 to approximately HK\$57.7 million for the year ended 31 December 2022, while gross profit margin decreased from 15.8% for the year ended 31 December 2021 to 14.6% for the year ended 31 December 2022. Such decrease was mainly attributable to the increase in the costs of raw materials and production costs during the period under review.

Other income increased by approximately HK\$1.0 million, or 95.2%, from approximately HK\$1.0 million for the year ended 31 December 2021 to approximately HK\$2.0 million for the year ended 31 December 2022. Such increase was mainly due to the gain on disposal of motor vehicle, investment income and increased volume of waste disposal.

Other gains increased by approximately HK\$3.4 million, or 11,982.1%, from approximately HK\$28,000 for the year ended 31 December 2021 to approximately HK\$3.4 million for the year ended 31 December 2022. Such increase was mainly attributable to the appreciation of US dollars against Renminbi during the period under review resulting in gains on transfer of intercompany funds for balances denominated in Renminbi.

Selling and distribution expenses increased by approximately HK\$1.1 million, or 14.1%, from approximately HK\$8.0 million for the year ended 31 December 2021 to approximately HK\$9.1 million for the year ended 31 December 2022. Such increase was mainly attributable to the increase in expenses as a result of the corresponding increase in revenue during the period under review. The Group has continued efforts to offset increased transport and freight costs by recharge to customers for low volume shipments.

Administrative expenses increased by approximately HK\$9.8 million, or 48.3%, from approximately HK\$20.3 million for the year ended 31 December 2021 to approximately HK\$30.0 million for the year ended 31 December 2022. The increase was mainly attributable to the increase in research and development expenses of approximately HK\$8.6 million compared to the year ended 31 December 2021. Such increase is due to the development of new products and upgrade of existing products to meet with the global trend in clean energy, as well as the development to improve existing production processes to reduce costs. In addition to the above, higher staff costs and related expenses in line with the increase in revenue also attributed to the increase in administrative expenses during the period under review.

Finance costs increased by approximately HK\$1.0 million, or 50.0%, from approximately HK\$1.9 million for the year ended 31 December 2021 to approximately HK\$2.9 million for the year ended 31 December 2022. Such increase was mainly attributable to the increase in bank borrowings during the period under review.

Income tax expenses increased by approximately HK\$3.4 million or 442.7% from approximately HK\$0.8 million for the year ended 31 December 2021 to approximately HK\$4.2 million for the year ended 31 December 2022. Such increase was mainly attributable to the increase of assessable profit as a result from the increase of the profit before tax for the year ended 31 December 2022, and there being no tax losses brought forward to set off against assessable profit for the period under review.

As a result of the above, the Group recorded a profit of approximately HK\$16.8 million for the year ended 31 December 2022 (for the year ended 31 December 2021: approximately HK\$12.2 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.

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 since late 2021 adopted a hedging policy 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. With the increased production capacity during the period under review to cope with the increasing demand from the customers, the management is optimistic about the market and confident that the Group can continue to accelerate 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, if applicable, 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.

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.

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 2022, the Group had a financial position with net assets amounted to approximately HK\$81.8 million (31 December 2021: approximately HK\$69.6 million). Net current assets stood at approximately HK\$66.8 million (31 December 2021: approximately HK\$55.0 million).

As at 31 December 2022, shareholder's fund amounted to approximately HK\$81.8 million (31 December 2021: approximately HK\$69.6 million). Current assets amounted to approximately HK\$223.2 million (31 December 2021: approximately HK\$161.1 million), mainly comprising inventories, trade and other receivables and prepayments, pledged bank deposits, bank and cash balance. Current liabilities amounted to approximately HK\$156.4 million (31 December 2021: approximately HK\$106.2 million), mainly comprising trade and other payables and accruals, bank borrowings and overdrafts.

As at 31 December 2022, the Group's bank and cash balance amounted to approximately HK\$19.3 million (31 December 2021: approximately HK\$4.7 million). Net asset value per share was HK\$0.41 (31 December 2021: HK\$0.35).

As at 31 December 2022, the gearing ratio of the Group, which is based on the ratio of interest bearing borrowings net of bank and cash balance to total equity, was approximately 0.41 (31 December 2021: approximately 0.55). The decrease in the gearing ratio, even though bank borrowings have increased, is mainly due to the increase in bank and cash balances during the year under review.

The Group's source of funds can further be satisfied 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

For each of the years ended 31 December 2022 and 31 December 2021, the Group incurred capital expenditures in respect of additions of property, plant and equipment in the amount of approximately HK\$4.4 million and HK\$4.0 million respectively. The following table sets out the financial capital expenditures during the years under review:

	Year ended 31 December	
	2022	2021
	HK\$'000	HK\$'000
Plant and machinery	3,867	3,438
Leasehold improvements	529	539
Furniture, fixtures and other equipment	17	27
TOTAL	4,413	4,004

The capital expenditures incurred in each of the years ended 31 December 2022 and 31 December 2021 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 2022, the issued share capital of the Group comprised only ordinary shares. The capital structure of the Group mainly consists of borrowings from bank and equity attributable to owners of the Group, comprising issued share capital and retained earnings respectively. Borrowings from bank were denominated in Hong Kong dollars which were secured by pledged bank deposits and trade receivables of the Group.

FOREIGN EXCHANGE EXPOSURE

The sales of the Group are mainly denominated in US dollars. However, the Group has certain foreign currency sales and purchases transactions denominated in Renminbi and Hong Kong dollars, which may expose the Group to foreign currency risk. The Group currently has no foreign currency hedging policy and the management 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 2022, the Group did not have any significant investment held (31 December 2021: nil).

CONTINGENT LIABILITIES

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

CAPITAL COMMITMENT

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

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2022, the Group had approximately 598 employees (31 December 2021: approximately 487 employees), including the Directors. Total staff costs excluding Directors' remuneration for the year ended 31 December 2022 amounted to approximately HK\$46.0 million (for the year ended 31 December 2021: approximately HK\$41.6 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:

	31 December 2022	31 December 2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Pledged bank deposit (<i>note 14</i>)	11,835	11,764
Trade receivable (<i>note 14</i>)	3,006	5,076
	14,841	16,840

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the year ended 31 December 2022, the Group did not have any material acquisitions nor disposals of subsidiaries and affiliated companies.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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 a consideration of approximately HK\$21.7 million 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. It is currently expected that completion of acquisition of the Properties (the "Acquisitions") will take place on or before 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 announcement dated 24 February 2023 of the Company.

Save as disclosed above, the Group does not have any plans for material investments and capital assets as at the date of this announcement.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this announcement, there were no other significant events after the end of the reporting period and up to the approval 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 2022 (for the year ended 31 December 2021: 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 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 year ended 31 December 2022, the Company had complied with the code provisions set out in 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, 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 2022.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2022, 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 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 2022 as set out in this preliminary announcement have been agreed by the Group's auditors, ZHONGHUI ANDA CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by ZHONGHUI ANDA CPA Limited in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion 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 Tuesday, 6 June 2023. A notice convening the Annual General Meeting will be issued and dispatched to the shareholders of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 31 May 2023 to 6 June 2023 (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 30 May 2023.

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 2022.

RISK MANAGEMENT COMMITTEE

The risk management committee of the Board (the “**Risk Management Committee**”) was established on 2 February 2016, with specific written terms of reference for assisting the Board in overseeing (i) risk governance structure; and (ii) hedging policies including its activities in forward purchases of copper and entering into the relevant contracts. The Risk Management Committee currently comprises a total of three members, being two executive Directors, namely Mr. Chung Tin Shing and Mr. Wong Shek Fai, Johnson, and one independent non-executive Director, namely Mr. Lam Chon Loi. Following the adoption of 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 Stock Exchange (www.hkexnews.hk) and the Company (www.keenocean.com.hk). The annual report of the Company for the year ended 31 December 2022 containing all the information required by the GEM Listing Rules will be dispatched to the Company’s shareholders and posted on the above websites in due course.

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

Hong Kong, 14 March 2023

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

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