

Hong Kong Exchanges and Clearing Company Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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 2019

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 2019, together with the comparative figures for the year ended 31 December 2018 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	<i>Notes</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i> (Restated)
Revenue	3	164,209	168,905
Cost of sales		(137,569)	(144,095)
Gross profit		26,640	24,810
Interest revenue		92	128
Other income		688	915
Other gains		368	107
Selling and distribution expenses		(6,222)	(6,691)
Administrative expenses		(21,727)	(24,243)
Loss from operations		(161)	(4,974)
Finance costs		(1,781)	(1,952)
Loss before tax		(1,942)	(6,926)
Income tax expense	4	–	–
Loss for the year	5	(1,942)	(6,926)
Other comprehensive (expense)/income after tax:			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		(368)	370
Total comprehensive expense for the year		(2,310)	(6,556)
Loss for the year attributable to:			
Owners of the Company		(1,938)	(6,929)
Non-controlling interests		(4)	3
		(1,942)	(6,926)
Total comprehensive expenses for the year attributable to:			
Owners of the Company		(2,306)	(6,559)
Non-controlling interests		(4)	3
		(2,310)	(6,556)
Loss per share			
Basic and diluted (HK cents)	7	(0.97)	(3.46)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

		As at 31 December 2019 <i>HK\$'000</i>	As at 31 December 2018 <i>HK\$'000</i> (Restated)	As at 1 January 2018 <i>HK\$'000</i> (Restated)
Non-current assets				
Property, plant and equipment	8	11,186	10,344	8,353
Right-of-use assets		2,302	4,609	4,111
		<u>13,488</u>	<u>14,953</u>	<u>12,464</u>
Current assets				
Inventories		46,391	52,115	39,315
Trade and other receivables and prepayments	9	35,708	34,897	41,909
Prepaid income tax		–	–	76
Pledged bank deposits		7,340	7,256	7,201
Bank and cash balances		3,014	4,318	13,641
		<u>92,453</u>	<u>98,586</u>	<u>102,142</u>
Current liabilities				
Trade and other payables and accruals	10	22,644	26,579	19,283
Contract liabilities		2,025	6,511	1,077
Bank loans and overdrafts	11	23,858	19,411	28,448
Amount due to a related party		2,903	1,834	595
Lease liabilities		2,087	2,916	2,992
		<u>53,517</u>	<u>57,251</u>	<u>52,395</u>
Net current assets		<u>38,936</u>	<u>41,335</u>	<u>49,747</u>
Total assets less current liabilities		<u>52,424</u>	<u>56,288</u>	<u>62,211</u>
Non-current liabilities				
Lease liabilities		323	1,877	1,258
NET ASSETS		<u><u>52,101</u></u>	<u><u>54,411</u></u>	<u><u>60,953</u></u>

		As at 31 December 2019	As at 31 December 2018	As at 1 January 2018
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>	<i>HK\$'000</i>
			(Restated)	(Restated)
Capital and reserves				
Share capital	<i>12</i>	2,000	2,000	2,000
Reserves		50,088	52,394	58,953
		<hr/>	<hr/>	<hr/>
Equity attributable to owners of the Company		52,088	54,394	60,953
Non-controlling interests		13	17	–
		<hr/>	<hr/>	<hr/>
TOTAL EQUITY		52,101	54,411	60,953
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

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 the 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 other 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 2019. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current year and prior years except as stated below.

HKFRS 16 "Leases"

On adoption of HKFRS 16, the Group recognised right-of-use assets and lease liabilities in relation to leases which had previously been classified as 'operating leases' under HKAS 17 "Leases."

HKFRS 16 has been applied retrospectively and results in changes in the consolidated amounts reported in the financial statements as follows:

	31 December	1 January
	2018	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
At 31 December 2018		
Increase in right-of-use assets	4,609	4,111
Increase in lease liabilities	4,793	4,250
Decrease in retained earnings	184	139
For the year ended 31 December 2018:		
Decrease in cost of sales	337	
Increase in administrative expenses	94	
Increase in lease interests	288	
Increase in loss for the year	45	
Increase in loss per share		
– Basic and diluted (HK cents)	0.02	

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective for the current year. 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 HKFRSs 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:

	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sales of transformers	90,350	91,828
Sales of switching mode power supply	1,976	1,809
Sales of electronic parts and components and other products	56,797	75,268
Sales of electric healthcare products	15,086	–
	<hr/>	<hr/>
Revenue from contracts with customers	164,209	168,905
	<hr/> <hr/>	<hr/> <hr/>

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 external customers		Non-current assets	
	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i> (restated)
Hong Kong	38,927	45,070	1,299	1,638
PRC	53,082	55,844	12,189	13,315
Europe	40,657	29,732	–	–
United States	20,497	27,618	–	–
Others	11,046	10,641	–	–
	<u>164,209</u>	<u>168,905</u>	<u>13,488</u>	<u>14,953</u>

All timing of revenue recognition is at a point of time for the year ended 2019 and 2018.

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Customer A (sales of transformers)	17,123	19,366
Customer B (sales of electronic parts and other products)	<u>23,586</u>	<u>26,123</u>

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

No provision for Hong Kong Profits tax is required since the Group has no assessable profit for the years ended 31 December 2019 and 2018.

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 current year's assessable profit. No provision for PRC enterprise income tax is required since the Group has no assessable profit for the year ended 2018. Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25%.

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

	2019 HK\$'000	2018 <i>HK\$'000</i>
Loss before tax	<u>(1,942)</u>	<u>(6,926)</u>
Tax at Hong Kong Profits tax rate of 16.5%	(320)	(1,143)
Tax effect of income not taxable and expenses not deductible	(14)	(20)
Tax effect of temporary differences not recognised	13	342
Tax effect of utilisation of tax losses not previously recognised	(235)	–
Tax effect of tax loss not recognised	<u>556</u>	<u>821</u>
Income tax expense	<u>–</u>	<u>–</u>

5. LOSS FOR THE YEAR

The Group's loss for the year has been arrived at after charging the following:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Auditor's remuneration	420	400
Depreciation of property, plant and equipment	2,415	2,278
Depreciation of right-of-use assets	2,862	2,902
Loss on disposals of property, plant and equipment	4	–
Cost of inventories sold (including depreciation and direct labor costs)	137,052	143,222
Research and development expenses	2,499	3,468
Directors' remuneration	1,411	1,410
Staff costs (not including directors' emoluments)		
Salaries, bonus and allowances	30,742	33,094
Retirement benefits scheme contributions	2,678	2,387
Total staff costs (including directors' emoluments)	<u>34,831</u>	<u>36,891</u>

6. DIVIDENDS

The directors of the Company did not recommend the payment of any dividend for the years ended 31 December 2019 and 2018.

7. LOSS PER SHARE

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Loss:		
Loss for the year attributable to owners of the Company for the purpose of calculating basic loss per share	<u>(1,938)</u>	<u>(6,929)</u>
	<i>'000</i>	<i>'000</i>
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>200,000</u>	<u>200,000</u>

No diluted loss 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 2018	399	14,334	1,749	2,841	19,323
Additions	959	3,659	98	200	4,916
Disposals	–	–	–	(51)	(51)
Exchange differences	(54)	(967)	(75)	(90)	(1,186)
At 31 December 2018 and 1 January 2019	1,304	17,026	1,772	2,900	23,002
Additions	419	2,974	–	95	3,488
Disposals	–	(879)	(10)	–	(889)
Exchange differences	(28)	(159)	(28)	(35)	(250)
At 31 December 2019	1,695	18,962	1,734	2,960	25,351
ACCUMULATED DEPRECIATION					
At 1 January 2018	50	8,427	1,081	1,412	10,970
Charge for the year	314	1,304	147	513	2,278
Eliminated on disposals	–	–	–	(48)	(48)
Exchange differences	(12)	(423)	(46)	(61)	(542)
At 31 December 2018 and 1 January 2019	352	9,308	1,182	1,816	12,658
Charge for the year	306	1,474	117	518	2,415
Eliminated on disposals	–	(678)	(9)	–	(687)
Exchange differences	(8)	(168)	(19)	(26)	(221)
At 31 December 2019	650	9,936	1,271	2,308	14,165
CARRYING AMOUNTS					
At 31 December 2019	<u>1,045</u>	<u>9,026</u>	<u>463</u>	<u>652</u>	<u>11,186</u>
At 31 December 2018	<u>952</u>	<u>7,718</u>	<u>590</u>	<u>1,084</u>	<u>10,344</u>

9. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	34,646	31,671
Less: allowance for doubtful receivables	(2,793)	(2,793)
	31,853	28,878
Deposits	1,170	944
Prepayments	861	3,394
Other tax recoverable	485	582
Other receivables	1,339	1,099
	35,708	34,897

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 at 31 December 2019 that have been transferred but have not been derecognised amounted to HK\$4,393,000 (31 December 2018: HK\$9,737,000) and the carrying amount of the associated liability is HK\$3,141,000 (31 December 2018: HK\$5,226,000).

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:

	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
0-90 days	29,280	23,555
91 to 180 days	1,418	3,208
181 to 365 days	1,006	1,084
Over 1 year	149	1,031
	31,853	28,878

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\$5,218,000 as at 31 December 2019 (31 December 2018: HK\$7,451,000) which is past due as at the reporting date and 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

	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
At the beginning of the year	2,793	2,793
Allowance for the year	<u>—</u>	<u>—</u>
At the end of the year	<u>2,793</u>	<u>2,793</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\$2,793,000 as at 31 December 2019 (31 December 2018: HK\$2,793,000) 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.

	1-30	31-60	61-120	121	Over		
	days	days	days	days -	1 year	1 year	
	Current	past due	past due	past due	past due	past due	Total
At 31 December 2019							
Weighted average expected loss rate	0%	0%	0%	0%	0%	95%	
Receivable amount (<i>HK'000</i>)	26,635	2,645	473	945	1,006	2,942	34,646
Loss allowance (<i>HK'000</i>)	—	—	—	—	—	2,793	2,793
At 31 December 2018							
Weighted average expected loss rate	0%	0%	0%	0%	0%	73%	
Receivable amount (<i>HK'000</i>)	21,427	2,128	1,069	2,139	1,084	3,824	31,671
Loss allowance (<i>HK'000</i>)	—	—	—	—	—	2,793	2,793

10. TRADE AND OTHER PAYABLES AND ACCRUALS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trade payables	18,393	19,678
Accrued expenses	3,900	6,550
Other tax payables	351	351
	<u>22,644</u>	<u>26,579</u>

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
0-90 days	14,943	14,775
91 to 180 days	1,130	4,533
181 to 365 days	1,195	80
Over 1 year	1,125	290
	<u>18,393</u>	<u>19,678</u>

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

11. BANK LOANS AND OVERDRAFTS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Bank loans	9,804	2,000
Trust receipt loans	7,841	8,616
Factoring loans (<i>note 9</i>)	3,141	5,226
Bank overdrafts	3,072	3,569
	<u>23,858</u>	<u>19,411</u>
Total bank loans and overdrafts	<u>23,858</u>	<u>19,411</u>
Bank loans, trust receipt loans, factoring loans and bank overdrafts which are secured by assets held by the Group (<i>note 13</i>)	16,055	19,411
Bank loans which are secured by assets held by a related party (<i>note 14</i>)	4,459	–
Unsecured bank loans	3,344	–
	<u>23,858</u>	<u>19,411</u>

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
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	23,858	19,411
More than one year but within two years	–	–
More than two years but within five years	–	–
More than five years	–	–
	23,858	19,411
Less: Amount due for settlement within 12 months (shown under current liabilities)	(23,858)	(19,411)
Amount due for settlement after 12 months	<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:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
HK\$	3,072	3,570

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 2019 and 2018, respectively, are as follows:

	2019	2018
Effective interest rates (per annum):		
Variable interest rates	4.58%-6.76%	2.85%-6.20%

12. SHARE CAPITAL

	Number of shares	Share capital HK\$
Authorised:		
Ordinary shares of HK\$0.01 (2018: HK\$0.01) each		
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	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 (2018: HK\$0.01) each		
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	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 end of the reporting period for certain banking facilities granted to the Group:

	2019 HK\$'000	2018 HK\$'000
Pledged bank deposits	7,340	7,256
Trade receivables	4,393	9,737
	<u>11,733</u>	<u>16,993</u>

14. RELATED-PARTY TRANSACTIONS

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Amount due to a related company:		
T-Lab Electronics & Plastics (He Yuan) Co., Ltd.*	<u>2,903</u>	<u>1,834</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:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Rental paid to a related party		
T-Lab Electronics & Plastics (He Yuan) Co., Ltd	<u>1,580</u>	<u>2,069</u>

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Amount of bank loans guaranteed and secured by a related company:		
T-Lab Electronics & Plastics (He Yuan) Co., Ltd	<u>4,459</u>	<u>–</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:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Basic salaries and allowances	2,201	2,214
Retirement benefit contributions	<u>89</u>	<u>88</u>
	<u>2,290</u>	<u>2,302</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the year, the Group was principally engaged in the design, development, production and sale of power supply products, including transformers, switching mode power supplies, other electronic parts and components, electric healthcare products and inverters. Customers are mainly manufacturers and trading entities.

Most of the power supply products were manufactured and sold under the Group's branch name "Keen Ocean" while all electronic parts and components were sold on an original equipment manufacturer (OEM) basis. Among the products sold, transformers remained the Group's bestselling products and represented approximately 55.0% of the Group's sales for the year ended 31 December 2019 (year ended 31 December 2018: approximately 54.4%). The newly delivered electric healthcare products including the electric toothbrush rapidly evolved into a sustainable product line and contributed approximately 9.2% of Group's sales (year ended 31 December 2018: nil). The sale of switching mode power supplies represented approximately 1.2% (year ended 31 December 2018: approximately 1.1%) and the electronic parts and components and other products represented approximately the remaining 34.6% of the total sales for the year ended 31 December 2019 (year ended 31 December 2018: approximately 44.6%).

The global trade dispute has dragged on for an extended period of time. The Group remained conservative in business expansion throughout the financial year. For the year ended 31 December 2019, the Group concentrated on solidifying its relationships with existing customers and recorded a slightly lower turnover as compared to the corresponding period in 2018.

The Group strived to improve its operation performance. Through streamlining operation workflows, the overhead expenditures had been reduced. On the other hand, the Group moved forward to launch more products with higher margin and higher production efficiency. With a series of cost-saving strategies deployed, the Group had hence recorded higher profit margins for the financial year.

The Group has benefited from the end of the rising trend of material costs in 2019. Following the climate of the US-China trade talks, copper price had been shaky through the year and lost its strength due to global tensions and uncertainties. The Group's average purchase price of copper slid comparing to the previous year. Whilst the purchase prices of other materials including silicone steel remained flat, the Group expended less costs in production for the year.

In addition, the Directors had been exploring new business opportunities to diversify income streams for the Group. Taking into account of growth potential of construction projects in Hong Kong and availability of internal resources, the Group, through its subsidiary Success Construction Investment Company Limited, was engaged in a construction project in Mui Wo, Chi Ma Wan and South Lantau. The project was later terminated in 2020 due to a substantial delay in the construction work contemplated after the outbreak of the Coronavirus (**COVID-19**).

During the year, the Group continued its advertising and marketing campaigns in order to promote its new and existing products. These campaigns included placement of advertisements in renowned industrial magazines such as Global Source and taking part in exhibitions held overseas.

The Group is aware of the outbreak of COVID-19 and the confirmed cases worldwide. The Group has deployed appropriate preventive measures to protect its employees and provide them with a healthy and hygienic environment both in the offices and at the sites.

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Sales of transformers	90,350	91,828
Sales of switching mode power supply	1,976	1,809
Sales of electronic parts and components and other products	56,797	75,268
Sales of electric healthcare products	15,086	–
	164,209	168,905

Geographical information

Information about the Group's revenue is presented based on the location of the customers. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Revenue from external customers		Non-current assets	
	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i> (restated)
Hong Kong	38,927	45,070	1,299	1,638
PRC	53,082	55,844	12,189	13,315
Europe	40,657	29,732	–	–
United States	20,497	27,618	–	–
Others	11,046	10,641	–	–
	164,209	168,905	13,488	14,953

Information about major customers

Revenues from customers during the year contributing over 10% of the total revenue of the Group are as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Customer A (sales of transformers)	17,123	19,366
Customer B (sales of electronic parts and components)	23,586	26,123

Financial Review

The Group's revenue decreased slightly by approximately HK\$4.7 million, or 2.8%, from approximately HK\$168.9 million for the year ended 31 December 2018 to HK\$164.2 million for the year ended 31 December 2019. Such decrease was attributable to the decline in sales to US customers as a result of rising US import duties, which was levied by the US government for goods manufactured in China.

Cost of sales decreased by approximately HK\$6.5 million, or 4.5%, from approximately HK\$144.1 million for the year ended 31 December 2018 to approximately HK\$137.6 million for the year ended 31 December 2019. Such decrease was due to the optimisation of production in labour costs as well as lower average purchase price of copper, which was essential for manufacturing the Group's products, during the year ended 31 December 2019. In addition, the production of new electric healthcare products and inverters had higher production efficiency and reduced raw materials consumption.

The Group's gross profit increased by approximately HK\$1.8 million, or 7.3%, from approximately HK\$24.8 million for the year ended 31 December 2018 to approximately HK\$26.6 million for the year ended 31 December 2019. Gross profit margin increased from 14.7% for the year ended 31 December 2018 to 16.2% for the year ended 31 December 2019. Such increase was attributable to reduction of labour cost and copper cost without affecting the effectiveness and efficiency of production. The other reason for the increase in gross profit margin was the reduction in production cost as a result of the optimisation of production process.

Other income decreased by approximately HK\$0.2 million or 24.8% from approximately HK\$915,000 for the year ended 31 December 2018 to approximately HK\$688,000 for the year ended 31 December 2019. Such decrease was mainly due to the decline of sales of production waste. The Group recorded higher production efficiency and produced less waste. Sales of copper scrap and steel scrap dropped by approximately 16.5% and approximately 47.7% respectively comparing to the previous year.

Other gains increased by approximately HK\$0.3 million or 243.9% from approximately HK\$107,000 for the year ended 31 December 2018 to approximately HK\$368,000 for the year ended 31 December 2019. Such increase in gain was primarily due to gain from exchange differences. Decline of renminbi through the year of 2019 contributed to exchange gains during sales to the overseas market.

Selling and distribution expenses decreased by approximately HK\$0.5 million or 7.0%, from approximately HK\$6.7 million for the year ended 31 December 2018 to approximately HK\$6.2 million for the year ended 31 December 2019. The decline was mainly due to the reduction of safety approval and inspection costs. The Group had completed most safety approval and inspection procedures for the new products in 2018 and hence paid less for the corresponding fee for the year. On the other hand, the Group paid less commission for distribution as a result of lower sales in the PRC.

Administrative expenses decreased by approximately HK\$2.5 million or 10.4% from approximately HK\$24.2 million for the year ended 31 December 2018 to approximately HK\$21.7 million for the year ended 31 December 2019. The decrease was primarily due to lower salaries expenses as a result of streamlined operation workflows and reduced overhead expenditures.

Finance costs decreased by approximately HK\$0.2 million or 8.8% from approximately HK\$2.0 million for the year ended 31 December 2018 to approximately HK\$1.8 million for the year ended 31 December 2019. The costs for the year ended 31 December 2018 had been restated HK\$0.3 million upward from HK\$1.7 million to HK\$2.0 million as a result of adoption of Hong Kong Financial Reporting Standard (“**HKFRS**”) 16, in which the Group recognised right-of-use assets and lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under Hong Kong Accounting Standards (“**HKAS**”) 17 “Leases”. The reduction of finance costs for the year ended 31 December 2019 was due to the decrease in lease interests paid as compared with the corresponding period in 2018.

There was no provision for income taxes for the Group’s operations as a result of losses incurred during the year under review (year ended 31 December 2018: HK\$ nil).

As a result of the above, the Group recorded a net loss of approximately HK\$1.9 million for the year ended 31 December 2019 (year ended 31 December 2018: net loss of approximately HK\$6.9 million).

Prospect

According to Global Economic Prospects published earlier by the World Bank, global growth is expected to have slight recovery after 2019, with a balanced consideration between prolonged trade and political tensions and the revival of monetary easing policies. The global manufacturing purchasing manager's index (PMI) in the end of 2019 also illustrates a mild expansion amid the progress of global trade talks. The Directors expect a year of challenges and opportunities for the Group in 2020 but are cautious for risks of disruption amid ongoing volatility in material costs and policy decisions.

In the short term, the Group's production and shipping will be affected by the COVID-19 outbreak. The Group's factory extended the suspension of production plant after Chinese New Year as a preventive measure against any spread of COVID-19. The Directors expect the Group shall recover gradually to its normal level of productivity by the end of first quarter of 2020. With assessment of the current inventory level, the sales and delivery of products are not disrupted by the temporary productivity decline. The Directors also closely monitor any changes to regulations and instructions in compliance with industrial safety and public health policies; and deploy appropriate preventive measures to enhance protection of Group's employees by providing healthy and hygienic environment both in the office and at the sites.

With continuous effort in solidifying relationships with existing customers and widening customer base, the Group has amplified its exposure in both domestic and overseas market. The Directors anticipates an upturn of sales of inverters and battery chargers in the coming year. In addition, the Group has made progress in upgrading its electric healthcare products. The upgraded products would start contributing to the Group's sales later in mid-2020. The Directors are also striving to improve the Group's manufacturing efficiency. Through streamlining of processes and workflows, the Directors persist to reduce labour costs and production wastes.

In the long run, the Group will strive to increase its market share when the economy recovers through strengthening its sales and marketing capabilities. The Group aims to strengthen its competitiveness in the market so as to generate sustainable growth and maximize shareholders' return.

Liquidity and Financial Resources

During the year, 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. For further details of bank borrowings please refer to the Notes to the Consolidated Financial Statements. As at 31 December 2019, the Group had a stable financial position with net assets amounted to approximately HK\$52.1 million (31 December 2018: approximately HK\$54.4 million). Net current assets stood at approximately HK\$38.9 million (31 December 2018: approximately HK\$41.3 million).

As at 31 December 2019, shareholders' fund amounted to approximately HK\$52.1 million (31 December 2018: approximately HK\$54.4 million). Current assets amounted to approximately HK\$92.5 million (31 December 2018: approximately HK\$98.6 million), mainly comprising inventories, trade and other receivables and prepayments, pledged bank deposits, bank and cash balance. Current liabilities amounted to approximately HK\$53.5 million (31 December 2018: approximately HK\$57.3 million), mainly comprising trade and other payables and accruals, bank borrowings and amount due to a related company.

As at 31 December 2019, the Group's bank and cash balance amounted to approximately HK\$3.0 million (31 December 2018: approximately HK\$4.3 million). Net asset value per share was approximately HK\$0.3 (31 December 2018: approximately HK\$0.3).

As at 31 December 2019, 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 0.40 (31 December 2018: approximately 0.28). Such increase was mainly due to the increase in bank borrowing during the period under review to fulfill temporary liquidity demand ahead of Chinese New Year holiday in late January 2020.

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

Capital Expenditure

For each of the years ended 31 December 2019 and 2018, the Group incurred capital expenditures in respect of additions of property, plant and equipment in the amount of approximately HK\$3.5 million and HK\$4.9 million respectively. The following table sets out the financial capital expenditures during the years under review:

	Year ended 31 December	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Plant and Machinery	2,974	3,659
Leasehold improvements	419	959
Furniture, fixtures and other equipment	–	98
Motor vehicles	95	200
	<hr/>	<hr/>
Total	3,488	4,916
	<hr/> <hr/>	<hr/> <hr/>

The capital expenditures incurred in each of the years ended 31 December 2019 and 2018 primarily related to upgrading/replacing plant and machinery, leasehold improvements, and purchasing/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 to monitor its funding requirements and perform ongoing liquidity review. As at 31 December 2019, the 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 primarily at floating interest rates and 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, Hong Kong dollar, and Pound Sterling, which 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 2019, the Group did not have any significant investment held (31 December 2018: nil).

Contingent Liabilities

As at 31 December 2019, the Group did not have any material contingent liabilities (31 December 2018: nil).

Capital Commitment

As at 31 December 2019, the Group did not have any significant capital commitment (31 December 2018: nil).

Employee and Remuneration Policies

As at 31 December 2019, the Group had a total staff of approximately 444 employees (31 December 2018: approximately 530), including the Directors. Total staff costs excluding Directors' remuneration for the year ended 31 December 2019 amounted to approximately HK\$33.4 million (year ended 31 December 2018: approximately HK\$35.5 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, performance and are provided regular training programs at different level of employees of the Group. Ongoing training on quality control and production facilities operating is provided to employees, with relevant procedural and operational guidelines formulated.

Charges on the Group's Assets

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

	31 December 2019 HK\$'000	31 December 2018 HK\$'000
Pledged bank deposits	7,340	7,256
Trade receivables	4,393	9,737
	<u>11,734</u>	<u>16,993</u>

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

During the year, 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 2019, the Group did not have other plans for material investments and capital assets.

Events after the Reporting Period

After the outbreak of COVID-19 with the confirmed cases worldwide, the Group closely monitors the development of the situation and accordingly evaluates the impact on the financial position and performance. As at the date of this announcement, the Group was not aware of any material adverse effects on the financial statement as a result of the outbreak.

OTHER INFORMATION

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2019 (year ended 31 December 2018: nil).

INTERESTS OF COMPLIANCE ADVISER

The compliance adviser agreement (the “**Compliance Agreement**”) entered into between the Company and LY Capital Limited (“**LY Capital**”) on 17 March 2015 expired on 31 March 2019. As notified by LY capital, save and except for the Compliance Agreement, neither LY Capital nor its directors or employees or close associates had any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) or otherwise in relation to the Company which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules on or prior to the expiry of the Compliance Agreement.

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 2019, the Company has 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. The Company, having made specific enquiry of all Directors, is not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by the Directors during the year ended 31 December 2019.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2019, 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 2019 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 8 June 2020. A notice convening the Annual General Meeting will be issued and dispatched to shareholders of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 2 June 2020 to 8 June 2020 (both days inclusive) during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the Annual General Meeting, all transfers of 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 not later than 4:00 p.m. on 1 June 2020.

AUDIT COMMITTEE

The Board has established an audit committee (the "**Audit Committee**") on 2 February 2016, which operates under terms of reference approved by the Board. The 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. Mr. Cheung Yee Tak, Jonathan has been appointed as an independent non-executive Director and the Chairman of the Audit Committee since 8 October 2019, succeeding Mr. Ng Wing Cheong (whose term as independent non-executive Director and the Chairman of Audit Committee from 14 March 2019 to 8 October 2019) and Mr. Wong Choi Chak (whose term as independent non-executive Director and the Chairman of Audit Committee ended on 14 March 2019) after their respective resignations. The Audit Committee has reviewed the audited consolidated annual results of the Group for the year ended 31 December 2019.

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.hkgem.com) and the Company (www.keenocean.com.hk). The annual report of the Company for the year ended 31 December 2019 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, 24 March 2020

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 for at least 7 days from the day of its posting. This announcement will also be published on the Company's website at www.keenocean.com.hk.