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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)

DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO RENEWAL OF TENANCY AGREEMENT

Reference is made to the section headed “Connected Transactions” of the prospectus of the Company dated 17 February 2016 in relation to the 2015 Tenancy Agreement. He Yuan T-Lab (as landlord) and He Yuan Sky Wealth (as tenant) entered into the 2018 Tenancy Agreement to renew the lease of the Properties with similar terms as the 2015 Tenancy Agreement for three years from 1 January 2018 to 31 December 2020 (both days inclusive).

THE 2021 TENANCY AGREEMENT

On 28 December 2020, He Yuan T-Lab (as landlord) and He Yuan Sky Wealth (as tenant) entered into the 2021 Tenancy Agreement to further renew the lease of the Properties for three years from 1 January 2021 to 31 December 2023 (both days inclusive).

In accordance with HKFRS 16 “Leases”, the Group shall recognise the aggregate value of the right-of-use asset in connection with the lease of the Properties under the 2021 Tenancy Agreement on its consolidated statement of financial position. Accordingly, the Transaction is regarded as an acquisition of asset by the Group for the purpose of the GEM Listing Rules.

IMPLICATIONS UNDER THE GEM LISTING RULES

As at the date of this announcement, (i) He Yuan Sky Wealth is an indirect wholly-owned subsidiary of the Company; and (ii) He Yuan T-Lab is wholly-owned by Yield Speed Limited which is ultimately owned as to 90% by Cyber Goodie and as to 10% by Mr. Chung Tin Shing. Cyber Goodie is wholly-owned by Mr. Chung Chi Hang, Larry, a Controlling Shareholder and an executive Director, and Mr. Chung Tin Shing is one of the Shareholders and an executive Director. As such, He Yuan T-Lab is a connected person of the Company. Therefore, the Transaction constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules.

The aggregate value of the right-of-use asset to be recognised by the Group under the 2021 Tenancy Agreement amounted to approximately RMB4,137,000 (equivalent to approximately HK\$4,923,000). As the highest applicable percentage ratio (as defined in the GEM Listing Rules) in respect of the Transaction based on the aggregate value of the right-of-use asset exceeds 5% but is less than 25% and the aggregate value of the right-of-use asset is less than HK\$10,000,000, the Transaction constitutes (i) a discloseable transaction of the Company which is subject to the reporting and announcement requirements but is exempt from the Shareholders' approval requirement under Chapter 19 of the GEM Listing Rules; and (ii) a connected transaction which is subject to the reporting and announcement requirements but is exempt from the circular (including independent financial advice) and independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

Reference is made to the section headed "Connected Transactions" of the prospectus of the Company dated 17 February 2016 in relation to the 2015 Tenancy Agreement. He Yuan T-Lab (as landlord) and He Yuan Sky Wealth (as tenant) entered into the 2018 Tenancy Agreement to renew the lease of the Properties with similar terms as the 2015 Tenancy Agreement for three years from 1 January 2018 to 31 December 2020 (both days inclusive).

THE 2021 TENANCY AGREEMENT

On 28 December 2020, He Yuan T-Lab (as landlord) and He Yuan Sky Wealth (as tenant) entered into the 2021 Tenancy Agreement to further renew the lease of the Properties for three years from 1 January 2021 to 31 December 2023 (both days inclusive).

Principal terms of the 2021 Tenancy Agreement

Date:	28 December 2020
Parties:	(i) He Yuan T-Lab (as landlord) (ii) He Yuan Sky Wealth (as tenant)
Properties:	East of Xinggong Avenue and south of Keqi Road, High-tech Development Zone, Heyuan City, Guangdong Province, the PRC
Term:	Three years commencing from 1 January 2021 and expiring on 31 December 2023 (both days inclusive)
Rent:	RMB124,000 (equivalent to approximately HK\$148,000) per month (excluding any utilities and management fees), payable in advance on the 5th day of each month
Use of property:	Production facilities, warehouse and dormitory of the Group

Basis of determination

The rent payable by He Yuan Sky Wealth under the 2021 Tenancy Agreement has been determined after arm's length negotiation between He Yuan T-Lab and He Yuan Sky Wealth with reference to (i) the historical rent paid under the 2015 Tenancy Agreement and the 2018 Tenancy Agreement; and (ii) the prevailing market rates of similar properties in the locality assessed by an independent property valuer.

Right-of-use asset

In accordance with HKFRS 16 "Leases", the Group shall recognise the aggregate value of the right-of-use asset in connection with the lease of the Properties under the 2021 Tenancy Agreement on its consolidated statement of financial position. Accordingly, the Transaction is regarded as an acquisition of asset by the Group for the purpose of the GEM Listing Rules.

The aggregate value of the right-of-use asset to be recognised by the Group under the 2021 Tenancy Agreement amounted to approximately RMB4,137,000 (equivalent to approximately HK\$4,923,000), which is the present value of the total rent payable under the 2021 Tenancy Agreement in accordance with HKFRS 16 "Leases". Discount rate of approximately 5% per annum, which is equivalent to the Company's incremental borrowing rate during the term of the 2021 Tenancy Agreement, is applied to compute the present value of the total rent payable under the 2021 Tenancy Agreement.

REASONS FOR AND BENEFITS OF ENTERING INTO THE 2021 TENANCY AGREEMENT

The Properties have been used as the production facilities, warehouse and dormitory of the Group since 2007. As the Properties have been used by the Group for a long period since 2007, the Company considers that it is commercially necessary and beneficial to renew the lease of the Properties with He Yuan T-Lab for stable business operation of the Group and the saving of relocation and related costs. The entering into the 2021 Tenancy Agreement is in line with the Group's operational and business needs.

In addition, the Directors (including the independent non-executive Directors) are of the view that the terms of the 2021 Tenancy Agreement are fair and reasonable and on normal commercial terms, and the entering into of the 2021 Tenancy Agreement is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE GROUP AND THE PARTIES TO THE 2021 TENANCY AGREEMENT

The principal business activity of the Company is investment holding. The Group principally engages in the design, development, production and sale of transformers, switching mode power supplies, electric healthcare products, other electronic parts and components.

He Yuan Sky Wealth, an indirect wholly-owned subsidiary of the Company, principally engages in the development, manufacture and sales of, among others, transformers, switching mode power supply and electronic parts and components.

He Yuan T-Lab is a company established in the PRC and is wholly-owned by Yield Speed Limited which is ultimately owned as to 90% by Cyber Goodie and as to 10% by Mr. Chung Tin Shing. Cyber Goodie is wholly-owned by Mr. Chung Chi Hang, Larry, a Controlling Shareholder and an executive Director. Mr. Chung Tin Shing is one of the Shareholders and an executive Director. As such, He Yuan T-Lab is a connected person of the Company. As at the date of this announcement, other than holding and leasing the Properties, He Yuan T-Lab does not engage in any operating activities.

IMPLICATIONS UNDER THE GEM LISTING RULES

As at the date of this announcement, (i) He Yuan Sky Wealth is an indirect wholly-owned subsidiary of the Company; and (ii) He Yuan T-Lab is wholly-owned by Yield Speed Limited which is ultimately owned as to 90% by Cyber Goodie and as to 10% by Mr. Chung Tin Shing. Cyber Goodie is wholly-owned by Mr. Chung Chi Hang, Larry, a Controlling Shareholder and an executive Director, and Mr. Chung Tin Shing is one of the Shareholders and an executive Director. As such, He Yuan T-Lab is a connected person of the Company. Therefore, the Transaction constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules.

The aggregate value of the right-of-use asset to be recognised by the Group under the 2021 Tenancy Agreement amounted to approximately RMB4,137,000 (equivalent to approximately HK\$4,923,000). As the highest applicable percentage ratio (as defined in the GEM Listing Rules) in respect of the Transaction based on the aggregate value of the right-of-use asset exceeds 5% but is less than 25% and the aggregate value of the right-of-use asset is less than HK\$10,000,000, the Transaction constitutes (i) a discloseable transaction of the Company which is subject to the reporting and announcement requirements but is exempt from the Shareholders' approval requirement under Chapter 19 of the GEM Listing Rules; and (ii) a connected transaction which is subject to the reporting and announcement requirements but is exempt from the circular (including independent financial advice) and independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

Mr. Chung Chi Hang, Larry and Mr. Chung Tin Shing, in view of their interests in He Yuan T-Lab, are considered to have a material interest in the 2021 Tenancy Agreement. Accordingly, they abstained from voting on the resolutions of the Board approving the 2021 Tenancy Agreement and the Transaction.

Save for Mr. Chung Chi Hang, Larry and Mr. Chung Tin Shing, none of the other Directors has any material interest in the 2021 Tenancy Agreement and was required to abstain from voting on the resolutions of the Board approving the 2021 Tenancy Agreement and the Transaction.

DEFINITIONS

In this announcement, unless the context otherwise required, the following expressions shall have the following meanings:

“2015 Tenancy Agreement”	the tenancy agreement dated 25 March 2015 entered into between He Yuan T-Lab (as landlord) and He Yuan Sky Wealth (as tenant) in respect of the leasing of the Properties
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“2018 Tenancy Agreement”	the tenancy agreement dated 30 November 2017 entered into between He Yuan T-Lab (as landlord) and He Yuan Sky Wealth (as tenant) in respect of the leasing of the Properties
“2021 Tenancy Agreement”	the tenancy agreement dated 28 December 2020 entered into between He Yuan T-Lab (as landlord) and He Yuan Sky Wealth (as tenant) in respect of the leasing of the Properties
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“Company”	Keen Ocean International Holding Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on GEM of the Stock Exchange (stock code: 8070)
“connected person(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“connected transaction(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Cyber Goodie”	Cyber Goodie Limited, a company incorporated in the BVI on 2 May 2000 and wholly-owned by Mr. Chung Chi Hang, Larry, a Controlling Shareholder and an executive Director
“Director(s)”	the director(s) of the Company
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM of the Stock Exchange
“Group”	the Company and its subsidiaries
“He Yuan Sky Wealth”	河源天裕電子塑膠有限公司 (He Yuan Sky Wealth Electronic and Plastic Company Limited), a wholly foreign-owned enterprise established in the PRC on 24 November 2010, which is an indirect wholly-owned subsidiary of the Company

“He Yuan T-Lab”	天工電子塑膠 (河源) 有限公司 (T-Lab Electronic and Plastic (He Yuan) Co. Ltd.), a limited liability company established in the PRC on 12 January 2005, which is ultimately owned by Mr. Chung Chi Hang, Larry as to 90% and Mr. Chung Tin Shing as to 10%
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“PRC”	The People’s Republic of China
“Properties”	East of Xingdong Avenue and south of Keqi Road, High-tech Development Zone, Heyuan City, Guangdong Province, the PRC
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transaction”	transaction contemplated under the 2021 Tenancy Agreement
“%”	per cent

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

Hong Kong, 28 December 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, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. 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.

This announcement will remain on the “Latest Listed Company Information” page of the GEM website at www.hkgem.com for at least 7 days from the date of it posting and will be published on the website of the Company at www.keenocean.com.hk.