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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 2020

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 2020, together with the comparative figures for the year ended 31 December 2019 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	2020 HK\$'000	2019 HK\$'000
Revenue	3	155,935	164,209
Cost of sales		<u>(128,407)</u>	<u>(137,569)</u>
Gross profit		27,528	26,640
Interest revenue		45	92
Other income		1,714	688
Other (losses)/gains		(181)	368
Selling and distribution expenses		(8,168)	(6,222)
Administrative expenses		<u>(18,288)</u>	<u>(21,727)</u>
Profit/(loss) from operations		2,650	(161)
Finance costs		<u>(1,455)</u>	<u>(1,781)</u>
Profit/(loss) before tax		1,195	(1,942)
Income tax expense	4	<u>–</u>	<u>–</u>
Profit/(loss) for the year	5	1,195	(1,942)
Other comprehensive income/(expense) after tax:			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		<u>2,642</u>	<u>(368)</u>
Total comprehensive income/(expense) for the year		<u>3,837</u>	<u>(2,310)</u>
Profit/(loss) for the year attributable to:			
Owners of the Company		1,202	(1,938)
Non-controlling interests		<u>(7)</u>	<u>(4)</u>
		<u>1,195</u>	<u>(1,942)</u>
Total comprehensive income/(expenses) for the year attributable to:			
Owners of the Company		3,844	(2,306)
Non-controlling interests		<u>(7)</u>	<u>(4)</u>
		<u>3,837</u>	<u>(2,310)</u>
Earnings/(loss) per share			
Basic and diluted (HK cents)	7	<u>0.60</u>	<u>(0.97)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

		As at 31 December 2020 <i>HK\$'000</i>	As at 31 December 2019 <i>HK\$'000</i>
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	8	10,735	11,186
Right-of-use assets		314	2,302
		<u>11,049</u>	<u>13,488</u>
Current assets			
Inventories		66,047	46,391
Trade and other receivables and prepayments	9	37,535	35,708
Prepaid income tax		–	–
Pledged bank deposits		7,266	7,340
Bank and cash balances		6,957	3,014
		<u>117,805</u>	<u>92,453</u>
Current liabilities			
Trade and other payables and accruals	10	39,521	22,644
Contract liabilities		1,196	2,025
Bank loans and overdrafts	11	28,407	23,858
Amount due to a related party		3,469	2,903
Lease liabilities		323	2,087
		<u>72,916</u>	<u>53,517</u>
Net current assets		<u>44,889</u>	<u>38,936</u>
Total assets less current liabilities		<u>55,938</u>	<u>52,424</u>
Non-current liabilities			
Lease liabilities		–	323
NET ASSETS		<u><u>55,938</u></u>	<u><u>52,101</u></u>

		As at 31 December 2020	As at 31 December 2019
	<i>Notes</i>	HK\$'000	HK\$'000
Capital and reserves			
Share capital	12	2,000	2,000
Reserves		53,932	50,088
		<hr/>	<hr/>
Equity attributable to owners of the Company		55,932	52,088
Non-controlling interests		6	13
		<hr/>	<hr/>
TOTAL EQUITY		55,938	52,101
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

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 2020. 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:

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sales of transformers	83,430	90,350
Sales of switching mode power supply	3,136	1,976
Sales of electronic parts and components	62,441	56,797
Sales of electric healthcare products	6,928	15,086
	<hr/>	<hr/>
Revenue from contracts with customers	155,935	164,209
	<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		Non-current assets	
	external customers			
	2020	2019	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	12,638	38,927	695	1,299
PRC	43,304	53,082	10,354	12,189
Europe	47,704	40,657	–	–
United States	21,884	20,497	–	–
India	19,784	9,122	–	–
Others	10,621	1,924	–	–
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	155,935	164,209	11,049	13,488
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

All timing of revenue recognition is at a point of time for the years ended 2020 and 2019.

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

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Customer A (sales of transformers)	15,921	17,123
Customer B (sales of electronic parts and other products)	22,216	23,586
Customer C (sales of transformers)	19,784	9,122*
Customer D (sales of transformers)	23,833	6,929*

* Revenue from the respective customers did not exceed 10% of total revenue in the 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

No provision for Hong Kong Profits tax has been made in the financial statements since the Group has sufficient tax losses brought forward to set off against current year's assessable profit for the year ended 31 December 2020. No provision for Hong Kong Profit tax is required since the Group has no assessable profit for the year ended 31 December 2019.

No provision for PRC enterprise income tax has been made in the financial statements since the Group has sufficient tax losses brought forward to set off against the assessable profit for the years ended 31 December 2020 and 2019. 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 profit/(loss) before tax multiplied by the Hong Kong Profits tax rate is as follows:

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit/(loss) before tax	<u>1,195</u>	<u>(1,942)</u>
Tax at Hong Kong Profits tax rate of 16.5%	197	(320)
Tax effect of income not taxable and expenses not deductible	(7)	(14)
Tax effect of temporary differences not recognised	8	13
Tax effect of utilisation of tax losses not previously recognised	(472)	(235)
Tax effect of tax loss not recognised	<u>274</u>	<u>556</u>
Income tax expense	<u><u>-</u></u>	<u><u>-</u></u>

5. PROFIT/(LOSS) FOR THE YEAR

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

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Auditor's remuneration	430	420
Depreciation of property, plant and equipment	2,480	2,415
Depreciation of right-of-use assets	1,988	2,862
Loss on disposals of property, plant and equipment	67	4
Loss allowance provision for trade receivables	1,575	–
Cost of inventories sold (including depreciation and direct labor costs)	128,094	137,052
Research and development expenses	2,293	2,499
Directors' remuneration	1,411	1,411
Staff costs (not including directors' emoluments)		
Salaries, bonus and allowances	29,829	30,742
Retirement benefits scheme contributions	1,309	2,678
Total staff costs (including directors' emoluments)	32,549	34,831

6. DIVIDENDS

The Board did not recommend the payment of any dividend for the years ended 31 December 2020 and 2019.

7. EARNINGS/(LOSS) PER SHARE

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Earnings/(loss):		
Profit/(loss) for the year attributable to owners of the Company for the purpose of calculating basic earnings/(loss) per share	1,202	(1,938)
	<i>'000</i>	<i>'000</i>
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	200,000	200,000

No diluted earnings/(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 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 and 1 January 2020	1,695	18,962	1,734	2,960	25,351
Additions	229	1,115	9	–	1,353
Disposals	–	(987)	(277)	(10)	(1,274)
Exchange differences	160	832	193	372	1,557
At 31 December 2020	2,084	19,922	1,659	3,322	26,987
ACCUMULATED DEPRECIATION					
At 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 and 1 January 2020	650	9,936	1,271	2,308	14,165
Charge for the year	482	1,541	125	332	2,480
Eliminated on disposals	–	(937)	(263)	(9)	(1,209)
Exchange differences	90	526	64	136	816
At 31 December 2020	1,222	11,066	1,197	2,767	16,252
CARRYING AMOUNTS					
At 31 December 2020	862	8,856	462	555	10,735
At 31 December 2019	1,045	9,026	463	652	11,186

9. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	37,600	34,646
Less: allowance for doubtful receivables	(4,368)	(2,793)
	33,232	31,853
Deposits	314	1,170
Prepayments	1,403	861
Other tax recoverable	1,209	485
Other receivables	1,377	1,339
	37,535	35,708

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 2020 that have been transferred but have not been derecognised amounted to HK\$2,420,000 (31 December 2019: HK\$4,393,000) and the carrying amount of the associated liability is HK\$1,537,000 (31 December 2019: HK\$3,141,000).

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:

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 90 days	31,186	29,280
91 to 180 days	1,321	1,418
181 to 365 days	239	1,006
Over 1 year	486	149
	33,232	31,853

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\$4,902,000 as at 31 December 2020 (31 December 2019: HK\$5,218,000) 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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
At the beginning of the year	2,793	2,793
Allowance for the year	1,575	–
At the end of the year	4,368	2,793

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\$4,368,000 as at 31 December 2020 (31 December 2019: 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.

	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 2020							
Weighted average expected loss rate	0%	1%	1%	2%	2%	90%	
Receivable amount (<i>HK'000</i>)	28,370	2,827	444	902	244	4,813	37,600
Loss allowance (<i>HK'000</i>)	–	10	3	22	5	4,328	4,368
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

10. TRADE AND OTHER PAYABLES AND ACCRUALS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade payables	34,842	18,393
Accrued expenses	4,328	3,900
Other tax payables	351	351
	<u>39,521</u>	<u>22,644</u>

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0 to 90 days	24,803	14,943
91 to 180 days	3,216	1,130
181 to 365 days	6,179	1,195
Over 1 year	644	1,125
	<u>34,842</u>	<u>18,393</u>

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

11. BANK LOANS AND OVERDRAFTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Bank loans	16,286	9,804
Trust receipt loans	10,584	7,841
Factoring loans (<i>note 9</i>)	1,537	3,141
Bank overdrafts	–	3,072
	<u>28,407</u>	<u>23,858</u>
Bank loans, trust receipt loans, factoring loans and bank overdrafts which are secured by assets held by the Group (<i>note 13</i>)	14,121	16,055
Bank loans which are secured by assets held by a related party (<i>note 14</i>)	14,259	4,459
Unsecured bank loans	27	3,344
	<u>28,407</u>	<u>23,858</u>

	2020	2019
	HK\$'000	HK\$'000
The bank loans and overdrafts are guaranteed by the Company, directors and a related party (<i>note 14</i>).		
The borrowings are repayable as follows:		
On demand or within one year	<u>28,407</u>	<u>23,858</u>
	28,407	23,858
Less: Amount due for settlement within 12 months (shown under current liabilities)	<u>(28,407)</u>	<u>(23,858)</u>
Amount due for settlement after 12 months	<u><u>–</u></u>	<u><u>–</u></u>

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

	2020	2019
	HK\$'000	HK\$'000
HK\$	<u><u>4,737</u></u>	<u><u>3,072</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 2020 and 2019, respectively, are as follows:

	2020	2019
Effective interest rates (per annum):		
Variable interest rates	<u><u>1.82%-4.79%</u></u>	<u><u>4.58%-6.76%</u></u>

12. SHARE CAPITAL

	Number of shares	Share capital HK\$
Authorised:		
Ordinary shares of HK\$0.01 (2019: HK\$0.01) each		
At 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	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 (2019: HK\$0.01) each		
At 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	200,000,000	2,000,000
	<u>200,000,000</u>	<u>2,000,000</u>

13. PLEDGE OF ASSETS

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

	2020 HK\$'000	2019 HK\$'000
Pledged bank deposits	7,266	7,340
Trade receivables	2,420	4,393
	<u>9,686</u>	<u>11,733</u>

14. RELATED-PARTY TRANSACTIONS

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Amount due to a related company:		
T-Lab Electronics & Plastics (He Yuan) Co., Ltd.*	<u>3,469</u>	<u>2,903</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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Rental paid to a related party		
T-Lab Electronics & Plastics (He Yuan) Co., Ltd	<u>1,768</u>	<u>1,580</u>

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Amount of bank loans guaranteed and secured by a related company:		
T-Lab Electronics & Plastics (He Yuan) Co., Ltd	<u>14,259</u>	<u>4,459</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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Basic salaries and allowances	2,227	2,201
Retirement benefit contributions	<u>85</u>	<u>89</u>
	<u>2,312</u>	<u>2,290</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year, the Group was principally engaged in the design, development, production and sale of transformers, switching mode power supplies, healthcare products, other electronic parts and components. The Group sells its products domestically as well as overseas. Customers are mainly manufacturers and trading entities.

Most of the transformers and power supply products were manufactured and sold under the Group's branch name called "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, the transformers remained the Group's flagship products and represented approximately 53.5% of the Group's sales for the year ended 31 December 2020 (for the year ended 31 December 2019: approximately 55.0%). The switching mode power supply represented approximately 2.0% of the Group's sales for the year ended 31 December 2020 (for the year ended 31 December 2019: approximately 1.2%). The electronic parts and components represented approximately 40.0% of the Group's sales for the year ended 31 December 2020 (for the year ended 31 December 2019: approximately 34.6%). The healthcare products accounted for approximately 4.4% of the Group's sales for the year ended 31 December 2020 (for the year ended 31 December 2019: 9.2%).

Revenue generated by the Group dropped slightly during the period under review as compared to the corresponding period in last year. The outbreak of COVID-19 and the corresponding measures implemented by countries across the world including suspension of business activities, led to the slowdown of purchase orders and the postponement of shipment and/or delivery schedules of the goods ordered.

The Group's manufacturing process mainly involved copper and steel. During the period under review, the material costs remained stable except in the last quarter of 2020. Due to the quantitative easing amid COVID-19, the average copper price in the fourth quarter of 2020 rose by approximately 24.1% as compared to the corresponding period in 2019.

On the other hand, the operating margin slightly increased during the period under review. It was mainly attributable to lowered overall costs of production. The Group streamlined manufacturing processes and optimized quality control, and hence enhanced overall productivity. Additionally, the Group was supported by government subsidies as assistance and support to the manufacturing sector in fighting through the more challenging economic times after the outbreak of COVID-19.

During the period under review, the management of the Group stayed connected with the existing customers and closely followed up on the revised delivery schedules in order to maintain and solidify business relationships.

On the other hand, the Group continued its advertising and marketing campaigns to promote its products. These campaigns included but were not limited to placing advertisements in renowned industrial magazines such as Global Source. Due to the travel restrictions and the mandatory quarantine measures imposed in response to COVID-19, most exhibitions and physical marketing events were cancelled. The Group has actively explored other digitally-enabled channels to stay connected with the existing and potential customers during the period under review.

The Group has been paying close attention to the development of COVID-19. The Group has deployed appropriate preventive measures to enhance the vigilance and self-protection awareness of its employees, and to protect them by providing of healthy and hygienic working environment.

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

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sales of transformers	83,430	90,350
Sales of switching mode power supply	3,136	1,976
Sales of electronic parts and components	62,441	56,797
Sales of electric healthcare products	6,928	15,086
	155,935	164,209

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	
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Hong Kong	12,638	38,927	695	1,299
PRC	43,304	53,082	10,354	12,189
Europe	47,704	40,657	–	–
United States	21,884	20,497	–	–
India	19,784	9,122	–	–
Others	10,621	1,924	–	–
	<u>155,935</u>	<u>164,209</u>	<u>11,049</u>	<u>13,488</u>

Information about major customers

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Customer A (sales of transformers)	15,921	17,123
Customer B (sales of electronic parts and other products)	22,216	23,586
Customer C (sales of transformers)	19,784	9,122*
Customer D (sales of transformers)	23,833	6,929*

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

FINANCIAL REVIEW

The Group's revenue decreased by approximately HK\$8.3 million, or 5.1%, from approximately HK\$164.2 million for the year ended 31 December 2019 to approximately HK\$155.9 million for the year ended 31 December 2020. Such decrease was primarily due to the slowdown of purchase orders placed by customers and the postponement of shipment and/or delivery schedule of goods ordered amid the outbreak of COVID-19.

Cost of sales decreased by approximately HK\$9.2 million, or 6.7%, from approximately HK\$137.6 million for the year ended 31 December 2019 to approximately HK\$128.4 million for the year ended 31 December 2020. Such decrease was primarily due to the reduction of turnover for the year ended 31 December 2020, which was led to by the outbreak of COVID-19 and the slowdown of purchase orders and the postponement of shipment and/or delivery schedule.

As a result, the Group's gross profit increased by approximately HK\$0.9 million, or 3.4%, from approximately HK\$26.6 million for the year ended 31 December 2019 to approximately HK\$27.5 million for the year ended 31 December 2020. Gross profit margin increased from 16.2% for the year ended 31 December 2019 to 17.7% for the year ended 31 December 2020. Such increase was attributable to the effort of the management in improving the efficiency of production in order to reduce production waste as well as the overall costs of production.

Other income increased by approximately HK\$1.0 million, or 142.9%, from approximately HK\$0.7 million for the year ended 31 December 2019 to approximately HK\$1.7 million for the year ended 31 December 2020. Such increase was mainly attributable to the financial supports granted by various governmental bodies, including (i) financial subsidies of approximately HK\$500,000 received from a fund for supporting technology innovation set up by Heyuan Municipal People's Government of the People's Republic of China (the "PRC"); (ii) financial subsidies of approximately HK\$300,000 received from a fund for supporting staff training set up by Heyuan Municipal People's Government of the PRC; and (iii) financial subsidies of approximately HK\$400,000 received from the Anti-epidemic Fund set up by the Government of the Hong Kong Special Administrative Region.

The Group recorded other losses of approximately HK\$181,000 for the year ended 31 December 2020, as compared to other gains of approximately HK\$368,000 for the year ended 31 December 2019. Such loss was mainly attributable to the foreign exchange losses during intra-group transfer between mainland China and Hong Kong, in relation to the depreciation of US dollars during the period under review.

Selling and distribution expenses increased by approximately HK\$2.0 million, or 32.3%, from approximately HK\$6.2 million for the year ended 31 December 2019 to approximately HK\$8.2 million for the year ended 31 December 2020. Such increase was mainly attributable to the provisions for doubtful receivables, certification fees for product safety, and higher shipping and handling charges which increased amid implementation of regulatory measures by countries across the world such as travel restriction and limitation of transportation.

Administrative expenses decreased by approximately HK\$3.4 million, or 15.7%, from approximately HK\$21.7 million for the year ended 31 December 2019 to approximately HK\$18.3 million for the year ended 31 December 2020. Such decrease was mainly attributable to lower expenses in staff costs and travelling as a result of streamlined operation workflows and reduced overhead expenditures. Due to the travel restrictions and the mandatory quarantine measures in response to COVID-19, the Group gradually developed internal communication via digitally-enabled channels and saved costs in travelling. On the other hand, the Group recorded lower social security contributions whilst the base of contributions was temporarily adjusted by the government with a view to ease the burden of manufacturers.

Finance costs decreased by approximately HK\$0.3 million, or 16.7%, from approximately HK\$1.8 million for the year ended 31 December 2019 to approximately HK\$1.5 million for the year ended 31 December 2020. Such decrease was mainly attributable to reduced interest expenses as a result of the lower interest rates on bank loans and factoring loans of the Group during the period under review.

Income tax expenses remained HK\$nil for the year ended 31 December 2019 and the year ended 31 December 2020. Such results were mainly attributable to no provision for profits tax being made since the Group had sufficient tax losses brought forward to set off against its assessable profits for the year ended 31 December 2020, and no assessable profit for the year ended 31 December 2019.

As a result of the above, the Group recorded a profit of approximately HK\$1.2 million for the year ended 31 December 2020 (for the year ended 31 December 2019: loss of approximately HK\$1.9 million).

PROSPECT

The spread of COVID-19 has triggered huge economic uncertainties and disruption to production and supply chains around the world. Although governments spent extraordinary efforts with fiscal and monetary policy to support manufacturers in countering against the downturn, the Group had experienced business challenges including volatile demand patterns, inconsistent shipment timeline as well as inflated delivery costs.

Despite the global economic output demonstrating slight recovery from the collapse during the most recent quarter, the management of the Group remains conservative and expects that the economy may remain below pre-epidemic trends for a prolonged period. On the other hand, the management of the Group also anticipates that the extensive wave of global debt accumulation shall likely set off the appreciation of material costs and hence increase the cost burden to the Group's production lines. The management will closely monitor the prices of copper and implement measures to reduce its impact on the Group's operation.

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 with the existing customers through various digitally-enabled channels including video conferencing.

Moreover, the management has been actively expanding business relationship through different marketing channels including Global Source and online advertisement platforms. After continuous delivery of products with satisfactory quality control, the Group records increasing orders from the newly developed customer base. With extended effort in business development, the management is confident that the Group can accelerate business growth once the market demand starts to revive.

In the meantime, the Group pays careful attention to the development of COVID-19 and accordingly evaluates the impact on the financial position and performance of the Group. Also, the management of the Group monitors any changes to regulations and instructions in compliance with industrial safety and public health policies; and deploys appropriate preventive measures to enhance protection of Group's employees by providing healthy and hygienic environment both in the office and at the sites.

In the long run, the Group is confident that it would be prepared to capture business opportunities when the market recovers after COVID-19 as it lays 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 2020, the Group had a healthy financial position with net assets amounted to approximately HK\$55.9 million (31 December 2019: approximately HK\$52.1 million). Net current assets stood at approximately HK\$44.9 million (31 December 2019: approximately HK\$38.9 million).

As at 31 December 2020, shareholder's fund amounted to approximately HK\$55.9 million (31 December 2019: approximately HK\$52.1 million). Current assets amounted to approximately HK\$117.8 million (31 December 2019: approximately HK\$92.5 million), mainly comprising inventories, trade and other receivables and prepayments, pledged bank deposits, bank and cash balance. Current liabilities amounted to approximately HK\$72.9 million (31 December 2019: approximately HK\$53.5 million), mainly comprising trade and other payables and accruals, bank borrowings and overdrafts.

As at 31 December 2020, the Group's bank and cash balance amounted to approximately HK\$7.0 million (31 December 2019: approximately HK\$3.0 million). Net asset value per share was HK\$0.28 (31 December 2019: HK\$0.26).

As at 31 December 2020, 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 0.38 (31 December 2019: approximately 0.40). Such decrease was mainly due to higher bank balances recorded after the receipt of shipment payment as a result of the improvement in cash management.

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

CAPITAL EXPENDITURE

For each of the years ended 31 December 2020 and 31 December 2019, the Group incurred capital expenditures in respect of additions of property, plant and equipment in the amount of approximately HK\$1.4 million and HK\$3.5 million respectively. The following table sets out the financial capital expenditures during the years under review:

	Year ended 31 December	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Plant and Machinery	1,115	2,974
Leasehold improvements	229	419
Furniture, fixtures and other equipment	9	–
Motor vehicles	–	95
	<hr/>	<hr/>
TOTAL	<u>1,353</u>	<u>3,488</u>

The capital expenditures incurred in each of the years ended 31 December 2020 and 31 December 2019 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 for monitoring its funding requirements and performing ongoing liquidity review. As at 31 December 2020, 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 2020, the Group did not have any significant investment held (31 December 2019: nil).

CONTINGENT LIABILITIES

As at 31 December 2020, the Group did not have any material contingent liabilities (31 December 2019: nil).

CAPITAL COMMITMENT

As at 31 December 2020, the Group did not have any significant capital commitment (31 December 2019: nil).

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2020, the Group had approximately 432 employees (31 December 2019: approximately 444 employees), including the Directors. Total staff costs excluding Directors' remuneration for the year ended 31 December 2020 amounted to approximately HK\$31.1 million (for the year ended 31 December 2019: approximately HK\$33.4 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 2020 HK\$'000	31 December 2019 HK\$'000
Pledged bank deposits	7,266	7,340
Trade receivables	<u>2,420</u>	<u>4,393</u>
	<u>9,686</u>	<u>11,733</u>

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the year ended 31 December 2020, 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 2020, the Group did not have any plans for material investments and capital assets.

EVENTS AFTER THE REPORTING PERIOD

The Directors are not aware of any significant events since the end of the reporting period and as at the date of this announcement.

OTHER INFORMATION

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2020 (for the year ended 31 December 2019: nil).

CORPORATE GOVERNANCE PRACTICES

The Directors consider that incorporating the core elements of good corporate governance in the management structure and internal control procedures of the Group would help to balance the interest of the shareholders, customers and employees of the Company. The Board has adopted the principles and the code provisions of the Corporate Governance Code (the “**CG Code**”) contained in Appendix 15 of the GEM Listing Rules to ensure that the Group’s business activities and decision making processes are regulated in a proper and prudent manner.

During the year ended 31 December 2020, 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. 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 2020.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2020, 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 2020 as set out in the preliminary announcement have been agreed by the Group's auditors, ZHONGHUI ANDA CPA Limited, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by ZHONGHUI ANDA CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by ZHONGHUI ANDA CPA Limited on this preliminary announcement.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting (the "**Annual General Meeting**") of the Company is scheduled to be held on Monday, 7 June 2021. 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 1 June 2021 to 7 June 2021 (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 31 May 2021.

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 2020.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This announcement is published on the websites of the GEM of Stock Exchange (www.hkgem.com) and the Company (www.keenocan.com.hk). The annual report of the Company for the year ended 31 December 2020 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, 22 March 2021

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.keenocan.com.hk.