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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 2023

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

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

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

*This announcement, for which the directors (the “**Directors**”) of Keen Ocean International Holding Limited (the “**Company**” or “**our**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company and its subsidiaries (collectively, refer to as the “**Group**” or “**We**”). The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

ANNUAL RESULTS

The board of Directors (the “**Board**”) is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2023, together with the comparative figures for the year ended 31 December 2022 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Notes	2023 HK\$'000	2022 HK\$'000
Revenue	3	326,713	394,867
Cost of sales		<u>(276,057)</u>	<u>(337,125)</u>
Gross profit		50,656	57,742
Interest revenue		785	87
Other income		3,265	1,975
Other gains/(losses) net		3,731	3,327
Selling and distribution expenses		(6,887)	(9,153)
Administrative expenses		<u>(29,944)</u>	<u>(30,059)</u>
Profit from operations		21,606	23,919
Finance costs		<u>(2,585)</u>	<u>(2,910)</u>
Profit before tax		19,021	21,009
Income tax expense	4	<u>(1,847)</u>	<u>(4,211)</u>
Profit for the year	5	17,174	16,798
Other comprehensive income after tax:			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		<u>(843)</u>	<u>(4,544)</u>
Total comprehensive income for the year		<u>16,331</u>	<u>12,254</u>
Profit for the year attributable to:			
Owners of the Company		17,182	16,805
Non-controlling interests		<u>(8)</u>	<u>(7)</u>
		<u>17,174</u>	<u>16,798</u>
Total comprehensive income for the year attributable to:			
Owners of the Company		16,339	12,261
Non-controlling interests		<u>(8)</u>	<u>(7)</u>
		<u>16,331</u>	<u>12,254</u>
Earnings per share			
Basic and diluted (HK cents)	7	<u>8.59</u>	<u>8.40</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

		As at 31 December 2023 <i>HK\$'000</i>	As at 31 December 2022 <i>HK\$'000</i>
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	8	34,967	13,041
Right-of-use assets		–	1,984
		<u>34,967</u>	<u>15,025</u>
Current assets			
Inventories		53,148	104,106
Trade and other receivables and prepayments	9	34,898	86,123
Investments at fair value through profit or loss	10	9,140	1,800
Pledged bank deposits		10,810	11,835
Short-term deposits		55,800	–
Bank and cash balances		11,711	19,333
		<u>175,507</u>	<u>223,197</u>
Current liabilities			
Trade and other payables and accruals	11	41,958	87,080
Contract liabilities		29,851	11,377
Bank loans and overdrafts	12	37,050	52,534
Amount due to a related party		1,841	972
Lease liabilities		–	2,076
Current tax liabilities		1,638	2,378
		<u>112,338</u>	<u>156,417</u>
Net current assets		<u>63,169</u>	<u>66,780</u>
NET ASSETS		<u><u>98,136</u></u>	<u><u>81,805</u></u>

		As at 31 December 2023	As at 31 December 2022
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Capital and reserves			
Share capital	<i>13</i>	2,000	2,000
Reserves		96,158	79,819
		<hr/>	<hr/>
Equity attributable to owners of the Company		98,158	81,819
Non-controlling interests		(22)	(14)
		<hr/>	<hr/>
TOTAL EQUITY		98,136	81,805
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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 in Hong Kong has been changed to Room 3702, 37/F, Cable TV Tower, No. 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong, with effect from 26 September 2023. 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 2023. 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:

	2023	2022
	HK\$'000	HK\$'000
Sales of transformers	146,176	219,390
Sales of switching mode power supply	3,100	2,645
Sales of electronic parts and components	174,750	171,260
Sales of electric healthcare products	2,687	1,572
	<hr/>	<hr/>
Revenue from contracts with customers	326,713	394,867
	<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			
	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	19,184	28,691	21,997	560
PRC	41,950	48,939	12,970	14,465
Europe	183,340	148,225	–	–
United States	25,380	31,373	–	–
India	43,218	124,512	–	–
Others	13,641	13,127	–	–
	<hr/>	<hr/>	<hr/>	<hr/>
	326,713	394,867	34,967	15,025
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

All timing of revenue recognition is at a point of time for the years ended 2023 and 2022.

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

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Customer A (sales of electronic parts and other products)	16,870*	41,584
Customer B (sales of transformers)	43,116	124,512
Customer C (sales of electronic parts and other products)	162,054	106,115

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

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

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

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

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

4. INCOME TAX EXPENSE

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax – Hong Kong Profits Tax		
Provision for the year	519	1,429
Current tax – PRC Enterprise Income Tax		
Provision for the year	1,328	2,782
	<u>1,847</u>	<u>4,211</u>

Hong Kong Profits Tax has been provided at the rate of 8.25% on assessable profits up to HK\$2,000,000 and 16.5% on any part of assessable profits over HK\$2,000,000 for the years ended 31 December 2023 and 2022.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and the Implementation Regulation of the EIT Law, He Yuan Sky Wealth Electronic and Plastic Co. Ltd., the wholly-owned subsidiary of the Company, has successfully obtained “High and New Technology Enterprise” (“HNTE”) qualification under EIT Law during the year 31 December 2023 and as a result, He Yuan Sky Wealth Electronic and Plastic Co. Ltd. enjoy a preferential tax rate of 15% from 1 January 2023 to 31 December 2025. Therefore, the applicable tax rate for He Yuan Sky Wealth Electronic and Plastic Co. Ltd. was 15% (2022: 25%) for the year ended 31 December 2023.

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

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before tax	19,021	21,009
Tax at Hong Kong Profits tax rate	3,125	3,466
Tax effect of income not taxable and expenses not deductible	(1,818)	(319)
Effect of different tax rates of subsidiaries	(36)	787
Tax effect of temporary differences not recognised	(57)	72
Tax effect of tax loss not recognised	633	205
Income tax expense	<u>1,847</u>	<u>4,211</u>

Note:

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

As at 31 December 2023, the Group has no unused tax losses (31 December 2022: Nil).

5. PROFIT FOR THE YEAR

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

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Auditor's remuneration	450	443
Cost of inventories sold (including depreciation and direct labor costs)	274,067	336,371
Depreciation of property, plant and equipment	3,354	2,787
Depreciation of right-of-use assets	1,984	2,052
Loss/(gain) on disposals of property, plant and equipment	673	(47)
Loss allowance provision for trade receivables	81	49
Research and development expenses	10,048	11,744
Directors' remuneration	1,821	1,603
Staff costs (not including directors' emoluments)		
Salaries, bonus and allowances	39,678	41,908
Retirement benefits scheme contributions	5,174	4,136
Total staff costs (including directors' emoluments)	46,673	47,647

6. DIVIDENDS

The Board did not recommend the payment of any dividend for the years ended 31 December 2023 and 2022.

7. EARNINGS PER SHARE

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Earnings:		
Profit for the year attributable to owners of the Company for the purpose of calculating basic earnings per share	17,182	16,805
	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	200,000	200,000

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

8. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings <i>HK\$'000</i>	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 2022	–	2,686	23,407	1,712	3,576	31,381
Additions	–	529	3,867	17	–	4,413
Disposals	–	–	(589)	–	(904)	(1,493)
Exchange differences	–	(190)	(1,383)	(194)	(552)	(2,319)
At 31 December 2022 and 1 January 2023	–	3,025	25,302	1,535	2,120	31,982
Additions	21,680	1,789	2,699	44	271	26,483
Disposals	–	–	(2,684)	(6)	(20)	(2,710)
Exchange differences	–	(83)	(622)	(30)	(24)	(759)
At 31 December 2023	21,680	4,731	24,695	1,543	2,347	54,996
ACCUMULATED DEPRECIATION						
At 1 January 2022	–	1,857	12,622	1,267	3,148	18,894
Charge for the year	–	800	1,852	72	63	2,787
Eliminated on disposals	–	–	(498)	–	(859)	(1,357)
Exchange differences	–	(152)	(897)	(26)	(308)	(1,383)
At 31 December 2022 and 1 January 2023	–	2,505	13,079	1,313	2,044	18,941
Charge for the year	217	891	2,108	73	65	3,354
Eliminated on disposals	–	–	(1,819)	(5)	(20)	(1,844)
Exchange differences	–	(70)	(304)	(26)	(22)	(422)
At 31 December 2023	217	3,326	13,064	1,355	2,067	20,029
CARRYING AMOUNTS						
At 31 December 2023	21,463	1,405	11,631	188	280	34,967
At 31 December 2022	–	520	12,223	222	76	13,041

At 31 December 2023, the carrying amount of land and buildings pledged as security for the Group's bank loan amounted to HK\$21,463,000 (2022: Nil).

9. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	29,644	74,290
Less: allowance for doubtful receivables	(4,614)	(4,533)
	25,030	69,757
Deposits	237	1,343
Prepayments	4,397	8,048
Other tax recoverable	4,075	3,756
Other receivables	1,159	3,219
	34,898	86,123

During the year, the Group discounted certain trade receivables to a bank for cash proceeds. If the trade receivables are not paid at maturity, the bank has the right to request the Group to pay the unsettled balance. As the Group has not transferred the significant risks and rewards relating to these trade receivables, it continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as a secured borrowing (see note 12). The carrying amount of the trade receivables as at 31 December 2023 that have been transferred but have not been derecognised amounted to HK\$706,000 (31 December 2022: HK\$3,006,000) and the carrying amount of the associated liability is HK\$968,000 (31 December 2022: HK\$1,938,000).

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:

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 90 days	24,185	68,902
91 to 180 days	294	163
181 to 365 days	40	–
Over 1 year	511	692
	25,030	69,757

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\$3,038,000 as at 31 December 2023 (31 December 2022: HK\$7,104,000) 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

	2023 HK\$'000	2022 HK\$'000
At the beginning of the year	4,533	4,484
Loss allowance provision for the year	<u>81</u>	<u>49</u>
At the end of the year	<u><u>4,614</u></u>	<u><u>4,533</u></u>

Allowances for doubtful debts are recognised against trade receivables based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position. Included in the allowance for doubtful debts are individually impaired trade debtors with an aggregate balance of HK\$4,614,000 as at 31 December 2023 (31 December 2022: HK\$4,533,000) 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 2023							
Weighted average expected loss rate	0%	2%	2%	3%	2%	90%	
Receivable amount (HK'000)	22,035	2,193	128	166	40	5,082	29,644
Loss allowance (HK'000)	-	33	3	5	1	4,572	4,614
At 31 December 2022							
Weighted average expected loss rate	0%	1%	4%	5%	0%	87%	
Receivable amount (HK'000)	62,675	6,249	71	93	-	5,202	74,290
Loss allowance (HK'000)	-	15	3	5	-	4,510	4,533

10. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Included in current assets		
– Future	6,107	–
– Option contract – put option	3,033	1,800
	<u>9,140</u>	<u>1,800</u>

11. TRADE AND OTHER PAYABLES AND ACCRUALS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade payables	37,792	79,021
Accrued expenses	4,081	7,877
Other tax payables	85	182
	<u>41,958</u>	<u>87,080</u>

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0 to 90 days	37,502	77,681
91 to 180 days	27	792
181 to 365 days	87	130
Over 1 year	176	418
	<u>37,792</u>	<u>79,021</u>

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

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 2023 and 2022, respectively, are as follows:

	2023	2022
Effective interest rates (per annum):		
Variable interest rates	<u>2.87% to 8.12%</u>	<u>2.50% to 7.41%</u>

13. SHARE CAPITAL

	Number of shares	Share capital HK\$
Authorised:		
Ordinary shares of HK\$0.01 (2022: HK\$0.01) each		
At 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	<u>1,000,000,000</u>	<u>10,000,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.01 (2022: HK\$0.01) each		
At 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	<u>200,000,000</u>	<u>2,000,000</u>

14. PLEDGE OF ASSETS

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

	2023 HK\$'000	2022 HK\$'000
Land and buildings	21,463	–
Pledged bank deposits	10,810	11,835
Trade receivables	706	3,006
	<u>32,979</u>	<u>14,841</u>

15. RELATED-PARTY TRANSACTIONS

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Amount due to a related company:		
T-Lab Electronics & Plastics (He Yuan) Co., Ltd.*	<u>1,841</u>	<u>972</u>

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

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Rental paid to a related party		
T-Lab Electronics & Plastics (He Yuan) Co., Ltd	<u>1,637</u>	<u>1,681</u>

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Amount of bank loans guaranteed and secured by a related company:		
T-Lab Electronics & Plastics (He Yuan) Co., Ltd	<u>19,822</u>	<u>28,249</u>

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

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Basic salaries and allowances	2,788	2,482
Retirement benefit contributions	<u>94</u>	<u>93</u>
	<u>2,882</u>	<u>2,575</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

Most of the transformers and power supply products were manufactured and sold under the Group's brand name "Keen Ocean", while all electronic parts and components as well as electric healthcare products were sold on an original equipment manufacturer (OEM) basis. Among the products manufactured and sold, transformers remained the Group's flagship products and represented approximately 44.8% of the Group's sales for the year ended 31 December 2023 (for the year ended 31 December 2022: approximately 55.6%). The switching mode power supply represented approximately 0.9% of the Group's sales for the year ended 31 December 2023 (for the year ended 31 December 2022: approximately 0.7%). The electronic parts and components and others products represented approximately 53.5% of the Group's sales for the year ended 31 December 2023 (for the year ended 31 December 2022: approximately 43.4%). The electric healthcare products accounted for approximately 0.8% of the Group's sales for the year ended 31 December 2023 (for the year ended 31 December 2022: 0.3%).

Revenue generated by the Group decreased during the year as compared to the corresponding period in the previous year. This was mainly due to the slowdown in purchase orders for transformers during the year.

Cost of sales has decreased during the year in line with the decrease in sales.

The operating margin has increased during the year. This was mainly attributable to efficiencies made from the R&D investment in reducing production waste and overall costs of production during the year.

During the year, the management of the Group stayed connected with existing customers and closely followed up with the revised delivery schedule in order to maintain and solidify business relationships. The Group continued to place advertisements in renowned industrial magazines. To further promote its products the Group has been attending trade exhibitions, physical marketing events and face to face meetings with existing and potential customers.

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

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sales of transformers	146,176	219,390
Sales of switching mode power supply	3,100	2,645
Sales of electronic parts and components	174,750	171,260
Sales of electric healthcare products	2,687	1,572
	<u>326,713</u>	<u>394,867</u>

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		Non-current assets	
	external customers			
	2023	2022	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	19,184	28,691	21,997	560
PRC	41,950	48,939	12,970	14,465
Europe	183,340	148,225	–	–
United States	25,380	31,373	–	–
India	43,218	124,512	–	–
Others	13,641	13,127	–	–
	<u>326,713</u>	<u>394,867</u>	<u>34,967</u>	<u>15,025</u>

Information about major customers

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Customer A (sales of electronic parts and other products)	16,870*	41,584
Customer B (sales of transformers)	43,116	124,512
Customer C (sales of electronic parts and other products)	162,054	106,115

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

FINANCIAL REVIEW

The Group's revenue decreased by approximately HK\$68.2 million, or 17.3%, from approximately HK\$394.9 million for the year ended 31 December 2022 to approximately HK\$326.7 million for the year ended 31 December 2023. Such decrease was primarily due to the decrease in the placement of purchase orders for transformers.

Cost of sales decreased by approximately HK\$61.0 million, or 18.1%, from approximately HK\$337.1 million for the year ended 31 December 2022 to approximately HK\$276.1 million for the year ended 31 December 2023. The decrease was in line with the decrease in revenue and was primarily due to the decrease in the costs of raw materials and production costs during the period under review.

As a result, the Group's gross profit decreased by approximately HK\$7.0 million, or 12.1%, from approximately HK\$57.7 million for the year ended 31 December 2022 to approximately HK\$50.7 million for the year ended 31 December 2023, while gross profit margin increased from 14.6% for the year ended 31 December 2022 to 15.5% for the year ended 31 December 2023. Such increase was mainly attributable to efficiencies made from R&D investment in reducing production waste and overall costs of production during the period under review.

Other income increased by approximately HK\$1.3 million, or 65.0%, from approximately HK\$2.0 million for the year ended 31 December 2022 to approximately HK\$3.3 million for the year ended 31 December 2023. Such increase was mainly attributable to the receipt of tax incentives provided by the Government of Heyuan City of the People's Republic of China for development costs related to sustainable products and the increase in interest income received in line with increase in bank balances due to improvement in account receivable collection during the period under review.

Other gains/(losses) net increased by approximately HK\$0.4 million, or 12.1%, from approximately HK\$3.3 million for the year ended 31 December 2022 to approximately HK\$3.7 million for the year ended 31 December 2023. Such increase was mainly attributable to dealings in copper option contracts in accordance with the Group's hedging policy, adopted since late September 2021 and overseen by the risk management committee of the Board, which resulted in investment income during the period under review. Foreign exchange gains decreased compared with the corresponding period in 2022 due to no exchange gain on intercompany funds transfers.

Selling and distribution expenses decreased by approximately HK\$2.3 million, or 25.0%, from approximately HK\$9.2 million for the year ended 31 December 2022 to approximately HK\$6.9 million for the year ended 31 December 2023. Such decrease was mainly attributable to the reduced staff costs as a result of a drive to control costs and reduction in costs for Covid-19 staff inspections, in addition to the continued efforts to offset transport and freight costs by recharge to customers for low volume shipments during the period under review.

Administrative expenses decreased by approximately HK\$0.1 million, or 0.3%, from approximately HK\$30.1 million for the year ended 31 December 2022 to approximately HK\$30.0 million for the year ended 31 December 2023. The decrease was mainly attributable to the decrease in research and development expenses of approximately HK\$1.7 million compared to the year ended 31 December 2022. In addition to there were one-off fees and stamp duty expenses incurred in relation to the purchase of two non-residential properties as self-owned premises in Hong Kong. The acquisition was completed on 15 June 2023 and the Group has utilized the premises as its principal business office and warehouse in Hong Kong since September 2023. For details, please refer to the announcements dates 24 February 2023, 17 March 2023, 20 April 2023, 3 May 2023 and 11 September 2023 of the Company and the circular dated 11 May 2023 of the Company.

Finance costs decreased by approximately HK\$0.3 million, or 10.3%, from approximately HK\$2.9 million for the year ended 31 December 2022 to approximately HK\$2.6 million for the year ended 31 December 2023. Such decrease was mainly attributable to the decrease in bank loans due to improved cash collection on accounts receivable during the period under review.

Income tax expenses decreased by approximately HK\$2.4 million or 57.1% from approximately HK\$4.2 million for the year ended 31 December 2022 to approximately HK\$1.8 million for the year ended 31 December 2023. Such decrease was mainly attributable to the decrease of taxable profit for profit tax for the period under review and obtaining for certain tax items a PRC preferential tax rate from 25% reduced to 15%.

As a result of the above, the Group recorded a profit of approximately HK\$17.2 million for the year ended 31 December 2023 (for the year ended 31 December 2022: approximately HK\$16.8 million).

PROSPECT

The Group had experienced business challenges including volatile demand patterns, inconsistent shipment timeline as well as inflated delivery costs and material costs.

The management of the Group is determined to rise to these challenges. The production team maintains sufficient inventory buffer to cope with the demand and supply chain uncertainties. The management also strives to sustain the Group's competitive advantages through solidifying business relationships. Further, the Board has since late September 2021, adopted a set of hedging policy regarding dealings in copper option contracts for better control on the material costs of the Group.

In addition, the management spotted a rising demand of clean energy appliances, particularly the electronic parts and components of the Group, as the global policies leaned more towards renewability and sustainability. Besides, due to the Group's continuous delivery of products with satisfactory quality control, as well as strong demographics and growing consumption trends, the Group recorded increasing orders from the developed customer base. Furthermore, in order to meet the changing demands and expectations from our customers, the resources used in electric healthcare products has been completely reallocated to other products within the Group. However, the management foresees demand to continue to slowdown for its transformers products and expects a corresponding downward trend in the number of orders placed.

The Group has built up surplus cash funds from its business operations and to improve the Group's overall capital efficiency, the management has deemed it appropriate to modify the Group's existing treasury policy by allowing it to invest more in short-term and low-risk investments in listed securities in Hong Kong as well as other related investment products offered by banks and other financial institutions subject to certain conditions. Such conditions include, but are not limited to, all securities invested by the Group should not exceed an investment period of twelve months; the aggregate amount of funds to be invested in any securities should not exceed the cashflow needs of the Group for the next six months at any material time and detailed descriptions of the securities should be submitted for consideration and prior approval at the meetings of the Board. As funding for these investments will come from idle funds, there will not be an impact to the Group's operational liquidity and fund security.

The management of the Group monitors any changes to regulations and instructions, if applicable, in compliance with industrial safety and public health policies; and deploys appropriate preventive measures to enhance the protection of the Group's employees by providing a healthy and hygienic environment both in the office and at the sites.

The Group's management is aware of and is closely monitoring the development of the Russia-Ukraine conflict and Israel-Hamas war and accordingly evaluates any possible impact to its financial position and performance. The Group's management believes that the impact of these two conflicts to its current operations, supply chain and financial performance is minimal. The Group's management is also aware of the US restrictions on the export of chips and chipmaking equipment to the PRC and believes that the impact of such restrictions to its current operations, supply chain and financial performance is minimal.

Meanwhile, the Group's management is aware of the recent uptick in US Federal rates, during the period under review. As the US interest rates increases, it has a corresponding effect on interest rates in Hong Kong, leading to higher interest rates. Given that the Group's bank borrowings have been steadily decreasing, any increase in loan interest rates could have an impact on the Group's profits and financial results.

In the long run, the Group is confident that it shall seize the opportunities after the pandemic and lay the foundations for a durable and sustainable growth with its continuous effort and solid customer base.

LIQUIDITY AND FINANCIAL RESOURCES

During the period under review, the Group's source of funds was primarily from the cash generated from operating activities. The Group also utilised bank borrowings to finance its operations. As at 31 December 2023, the Group had a financial position with net assets amounted to approximately HK\$98.1 million (31 December 2022: approximately HK\$81.8 million). Net current assets stood at approximately HK\$63.1 million (31 December 2022: approximately HK\$66.8 million).

As at 31 December 2023, shareholder's fund amounted to approximately HK\$98.1 million (31 December 2022: approximately HK\$81.8 million). Current assets amounted to approximately HK\$175.5 million (31 December 2022: approximately HK\$223.2 million), mainly comprising inventories, trade and other receivables and prepayments, pledged bank deposits, short-term deposits and cash balance. Current liabilities amounted to approximately HK\$112.3 million (31 December 2022: approximately HK\$156.4 million), mainly comprising trade and other payables and accruals, bank borrowings and overdrafts.

As at 31 December 2023, the Group's bank and cash balance amounted to approximately HK\$11.7 million (31 December 2022: approximately HK\$19.3 million). Net asset value per share was HK\$0.49 (31 December 2022: HK\$0.41).

As at 31 December 2023, 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 0.26 (31 December 2022: approximately 0.41). The decrease in the gearing ratio, is mainly due to the decrease in bank loans during the year under review.

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

CAPITAL EXPENDITURE

For each of the years ended 31 December 2023 and 31 December 2022, the Group incurred capital expenditures in respect of additions of property, plant and equipment in the amount of approximately HK\$26.5 million and HK\$4.4 million respectively. The following table sets out the financial capital expenditures during the years under review:

	Year ended 31 December	
	2023	2022
	HK\$'000	HK\$'000
Land and buildings	21,680	–
Plant and machinery	2,699	3,867
Leasehold improvements	1,789	529
Furniture, fixtures and other equipment	44	17
Motor vehicles	271	–
	<hr/>	<hr/>
TOTAL	26,483	4,413
	<hr/> <hr/>	<hr/> <hr/>

The capital expenditures incurred in each of the years ended 31 December 2023 and 31 December 2022 primarily related to purchase of the two non-residential properties and leasehold improvements. 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 2023, 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 2023, the Group did not have any significant investment held (31 December 2022: nil).

CONTINGENT LIABILITIES

As at 31 December 2023, the Group did not have any material contingent liabilities (31 December 2022: nil).

CAPITAL COMMITMENT

As at 31 December 2023, the Group did not have any significant capital commitment (31 December 2022: nil).

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2023, the Group had approximately 458 employees (31 December 2022: approximately 598 employees), including the Directors. Total staff costs excluding Directors' remuneration for the year ended 31 December 2023 amounted to approximately HK\$44.9 million (for the year ended 31 December 2022: approximately HK\$46.0 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 2023 HK\$'000	31 December 2022 HK\$'000
Land and buildings	21,463	–
Pledged bank deposit	10,810	11,835
Trade receivable	706	3,006
	<hr/> 32,979 <hr/>	<hr/> 14,841 <hr/>

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the year ended 31 December 2023, the Group did not have any material acquisitions nor disposals of subsidiaries and affiliated companies.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

EVENTS AFTER THE REPORTING PERIOD

On 26 January 2024, the Board was notified by Century Lead International Limited (the “**Offeror**”, whose sole shareholder and sole director is a Mr. Chung) that, the Offeror and Cyber Goodie Limited (the “**Vendor**”, the entire issued share capital of which is owned by Mr. Chung Chi Hang, Larry, an executive Director and the Chairman of the Company and the younger brother of Mr. Chung), entered into a sale and purchase agreement (the “**SPA**”), pursuant to which the Offeror agreed to acquire and the Vendor agreed to sell 126,000,000 ordinary shares in the share capital of the Company (representing 63.0% of the total issued share capital of the Company).

Immediately upon completion of the SPA, the Offeror and parties acting in concert with it (other than the Vendor) are interested in 126,000,000 Shares, representing 63.0% of the total issued share capital of the Company. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror will therefore be required to make a mandatory unconditional cash offer (the “**Offer**”) to acquire all the issued ordinary shares in the share capital of the Company (other than those already owned or agreed to be acquired by the Offeror and the parties acting in concert with it). A composite document to be issued jointly by the Offeror and the Company in relation to the Offer in accordance with the Takeovers Code will be despatched to the shareholders of the Company.

For details, please refer to the joint announcements jointly issued by the Offer and the Company dated 26 January 2024, 16 February 2024 and 15 March 2024 (collectively with “**Joint Announcements**”). Unless otherwise defined, capitalised terms used in this section shall have the same meanings as those defined in the Joint Announcements.

OTHER INFORMATION

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2023 (for the year ended 31 December 2022: nil).

CORPORATE GOVERNANCE PRACTICES

The Directors consider that incorporating the core elements of good corporate governance in the management structure and internal control procedures of the Group would help to balance the interest of the shareholders, customers and employees of the Company. The Board has adopted the principles and the code provisions of the Corporate Governance Code contained in Appendix C1 of the GEM Listing Rules (the “**CG Code**”) to ensure that the Group’s business activities and decision making processes are regulated in a proper and prudent manner.

During the year ended 31 December 2023, the Company had complied with the code provisions set out in the CG Code.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company, having made specific enquiry of all Directors, all of them confirmed that they had complied with the required standard of dealings and its code of conduct regarding securities transactions by the Directors during the year ended 31 December 2023.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2023, the Company did not redeem any of its shares, and neither did the Company nor any of its subsidiaries purchase or sell any of the Company’s shares.

AUDITORS

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in this preliminary announcement have been agreed by the Group’s auditors, ZHONGHUI ANDA CPA Limited, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by ZHONGHUI ANDA CPA Limited in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by ZHONGHUI ANDA CPA Limited on this preliminary announcement.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting (the “**Annual General Meeting**”) of the Company is scheduled to be held on Thursday, 13 June 2024. A notice convening the Annual General Meeting will be issued and dispatched to the shareholders of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 6 June 2024 to Thursday, 13 June 2024 (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 Wednesday, 5 June 2024.

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 review 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 (the Chairman), 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 2023.

RISK MANAGEMENT COMMITTEE

The risk management committee of the Board (the “**Risk Management Committee**”) was established on 2 February 2016, with specific written terms of reference for assisting the Board in overseeing (i) risk governance structure; and (ii) hedging policies including its activities in forward purchases of copper and entering into the relevant contracts. The Risk Management Committee currently comprises a total of three members, being two executive Directors, namely Mr. Chung Tin Shing (the Chairman) and Mr. Wong Shek Fai, Johnson, and one independent non-executive Director, namely Mr. Lam Chon Loi. Following the adoption of the new set of hedging policy on 29 September 2021, the Risk Management Committee is responsible for reviewing and approving the hedging policies as formulated by the hedging team of the Company and reporting to the Board as to whether the hedging policies have been duly followed by the management of the Company.

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

This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.keenocean.com.hk). The annual report of the Company for the year ended 31 December 2023 containing all the information required by the GEM Listing Rules will be dispatched (if necessary) 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, 28 March 2024

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

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