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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 2017

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

GEM has been positioned as a market designed to accommodate 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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, 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, include particulars given in compliance with the Rules Governing the Listing of Securities on the 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 of the Company (the “**Board**”) is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2017, together with the comparative figures for the year ended 31 December 2016 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	<i>Notes</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Revenue	3	153,993	129,486
Cost of sales		<u>(124,656)</u>	<u>(103,153)</u>
Gross profit		29,337	26,333
Other income		1,101	1,208
Other losses		(226)	(1,151)
Selling and distribution expenses		(6,967)	(5,266)
Administrative expenses		(28,654)	(23,099)
Other expenses		<u>–</u>	<u>(3,168)</u>
Loss from operations		(5,409)	(5,143)
Finance costs		<u>(1,328)</u>	<u>(1,032)</u>
Loss before tax		(6,737)	(6,175)
Income tax expense	4	<u>–</u>	<u>(53)</u>
Loss for the year	5	(6,737)	(6,228)
Other comprehensive income after tax:			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		<u>587</u>	<u>–</u>
Total comprehensive expense for the year attributable to owners of the Company		<u>(6,150)</u>	<u>(6,228)</u>
Loss per share	7		
Basic and diluted (HK cents)		<u>(3.37)</u>	<u>(3.26)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	<i>Notes</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment	8	<u>8,353</u>	<u>8,688</u>
Current assets			
Inventories		39,315	33,064
Trade and other receivables and prepayments	9	41,909	28,403
Prepaid income tax		76	942
Time deposits		–	10,047
Pledged bank deposits		7,201	7,094
Bank and cash balances		<u>13,641</u>	<u>15,040</u>
		102,142	94,590
Current liabilities			
Trade and other payables and accruals	10	20,360	19,113
Bank loans and overdrafts	11	28,448	16,785
Amount due to a related party		<u>595</u>	<u>138</u>
		49,403	36,036
Net current assets		<u>52,739</u>	<u>58,554</u>
NET ASSETS		<u>61,092</u>	<u>67,242</u>
Capital and reserves			
Share capital	12	2,000	2,000
Reserves		<u>59,092</u>	<u>65,242</u>
TOTAL EQUITY		<u>61,092</u>	<u>67,242</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business is Unit 5, 34th Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong. The Company's shares are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (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 as well as enamelled copper wires.

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 2017. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current year and prior years.

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 HKFRSs would have a material impact on its results of operations and financial position.

3. REVENUE AND SEGMENT INFORMATION

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

	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sales of transformers	82,207	66,886
Sales of switching mode power supply	1,710	3,742
Sales of electronic parts and components as well as enamelled copper wires	70,076	58,858
	153,993	129,486

Geographical information

The Group's operation is located in the People's Republic of China (the "PRC", country of domicile). 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			
	2017	2016	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	35,606	34,488	1,230	1,643
PRC	52,024	41,139	7,123	7,045
Europe	35,566	28,548	–	–
United States	25,687	19,989	–	–
Others	5,110	5,322	–	–
	153,993	129,486	8,353	8,688

4. INCOME TAX EXPENSE

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Current tax – Hong Kong Profits Tax		
Provision for the year	–	53
	<u>–</u>	<u>53</u>
	<u>–</u>	<u>53</u>

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the year. The amount provided for the year ended 31 December 2016 was calculated at 16.5% based on the assessable profit for that year.

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

5. LOSS FOR THE YEAR

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Auditor's remuneration	400	750
Depreciation of property, plant and equipment	2,748	2,695
Cost of inventories sold	123,965	102,308
Operating lease charges	3,034	2,890
Research and development expenses	3,761	802
Directors' remuneration	1,426	1,480
Staff costs including directors' emoluments		
Salaries, bonus and allowances	33,328	31,964
Retirement benefits scheme contributions	2,106	3,223
Total staff costs (including directors' emoluments)	<u>36,860</u>	<u>36,667</u>
Gain on disposals of property, plant and equipment	<u>–</u>	<u>(27)</u>

6. DIVIDENDS

The directors of the Company did not recommend the payment of any dividend for the years ended 31 December 2017 and 2016.

7. LOSS PER SHARE

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Loss:		
Loss for the year attributable to owners of the Company for the purpose of calculating basic loss per share	<u>(6,737)</u>	<u>(6,228)</u>
	<i>'000</i>	<i>'000</i>
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic loss per share	<u><u>200,000</u></u>	<u><u>191,148</u></u>

The weighted average number of ordinary shares for the purpose of calculating basic loss per share for the years ended 31 December 2017 and 2016 have been determined on the assumption that the capitalisation issue, details of which are set out in note 12, had been effective on 1 January 2016.

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

8. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Furniture, fixtures and office equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
COST					
At 1 January 2016	3,818	10,602	2,027	2,243	18,690
Additions	64	830	848	1,313	3,055
Disposals	–	(1)	–	(606)	(607)
	<u>3,882</u>	<u>11,431</u>	<u>2,875</u>	<u>2,950</u>	<u>21,138</u>
At 31 December 2016 and 1 January 2017	3,882	11,431	2,875	2,950	21,138
Additions	–	2,903	63	20	2,986
Disposals	(3,483)	–	(1,189)	(129)	(4,801)
	<u>399</u>	<u>14,334</u>	<u>1,749</u>	<u>2,841</u>	<u>19,323</u>
At 31 December 2017	399	14,334	1,749	2,841	19,323
ACCUMULATED DEPRECIATION					
At 1 January 2016	2,868	5,216	1,241	1,016	10,341
Charge for the year	616	1,195	352	532	2,695
Eliminated on disposals	–	(1)	–	(585)	(586)
	<u>3,484</u>	<u>6,410</u>	<u>1,593</u>	<u>963</u>	<u>12,450</u>
At 31 December 2016 and 1 January 2017	3,484	6,410	1,593	963	12,450
Charge for the year	8	2,017	168	555	2,748
Eliminated on disposals	(3,442)	–	(680)	(106)	(4,228)
	<u>50</u>	<u>8,427</u>	<u>1,081</u>	<u>1,412</u>	<u>10,970</u>
At 31 December 2017	50	8,427	1,081	1,412	10,970
CARRYING AMOUNTS					
At 31 December 2017	<u><u>349</u></u>	<u><u>5,907</u></u>	<u><u>668</u></u>	<u><u>1,429</u></u>	<u><u>8,353</u></u>
At 31 December 2016	<u><u>398</u></u>	<u><u>5,021</u></u>	<u><u>1,282</u></u>	<u><u>1,987</u></u>	<u><u>8,688</u></u>

9. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Trade receivables	39,101	26,859
Less: allowance for doubtful receivables	(2,793)	(2,155)
	36,308	24,704
Deposits	1,260	1,344
Prepayments	2,524	922
Other tax recoverable	645	981
Other receivables	1,172	452
	41,909	28,403

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:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
0-90 days	31,719	21,730
91 to 180 days	1,718	2,057
181 to 365 days	1,649	906
Over 1 year	1,222	11
	36,308	24,704

10. TRADE AND OTHER PAYABLES AND ACCRUALS

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Trade payables	15,046	14,593
Accrued expenses	3,940	3,742
Customer deposits	1,077	727
Other tax payables	297	51
	20,360	19,113

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
0-90 days	14,368	14,164
91 to 180 days	169	114
181 to 365 days	196	14
Over 1 year	313	301
	15,046	14,593

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

11. BANK LOANS AND OVERDRAFTS

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Bank loans	2,077	2,095
Trust receipt loans	15,071	6,487
Factoring loans	8,186	5,403
Bank overdraft	3,114	2,800
Total borrowings	28,448	16,785
Bank borrowings which are secured by assets held by the Group	28,371	16,690
Unsecured bank borrowings	77	95
	28,448	16,785

The borrowings are guaranteed by the Company

The fair value of the guarantee at the date of inception is not material and is not recognised in the Company's financial statements

The borrowings are repayable as follows:

On demand or within one year	28,448	16,785
More than one year but within two years	—	—
	28,448	16,785
Less: Amount due for settlement within 12 months (shown under current liabilities)	(28,448)	(16,785)
Amount due for settlement after 12 months	—	—

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings as at 31 December 2017 and 2016, respectively, are as follows:

	2017	2016
Effective interest rates (per annum):		
Variable interest rates	<u><u>3.15% – 4.75%</u></u>	<u><u>3.17% – 4.82%</u></u>

12. SHARE CAPITAL

	Number of shares	Share capital HK\$
Authorised:		
Ordinary shares of HK\$0.01, (2016: HK\$0.01) each		
At 1 January 2016	38,000,000	380,000
Increase on 2 February 2016 (<i>note a</i>)	<u>962,000,000</u>	<u>9,620,000</u>
At 31 December 2016, 1 January 2017 and 31 December 2017	<u><u>1,000,000,000</u></u>	<u><u>10,000,000</u></u>
Issued and fully paid:		
Ordinary shares of HK\$0.01, (2016: HK\$0.01) each		
At 1 January 2016	10,000	100
Issues of shares by capitalisation of share premium account (<i>note b</i>)	139,990,000	1,399,900
Issue of new shares pursuant to placement (<i>note c</i>)	<u>60,000,000</u>	<u>600,000</u>
At 31 December 2016, 1 January 2017 and 31 December 2017	<u><u>200,000,000</u></u>	<u><u>2,000,000</u></u>

Notes:

- (a) On 2 February 2016, the authorised share capital of the Company increased from HK\$380,000 to HK\$10,000,000 by the creation of additional 962,000,000 new shares of HK\$0.01 each. These new shares rank pari passu in all respects of the existing shares.
- (b) Pursuant to the written resolutions passed by all shareholders of the Company dated 2 February 2016, the directors of the Company were authorised to capitalise an amount of HK\$1,400,000 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 139,990,000 ordinary shares of HK\$0.01 each of the Company for allotment and issue to the shareholders of the Company on the register of members of the Company on 2 February 2016 on a prorate basis, conditional on the share premium account being credited as a result of the issue of shares by the Company pursuant to the placement as mentioned in note (c) below.
- (c) On 24 February 2016, 60,000,000 ordinary shares of HK\$0.01 each of the Company were issued at a price of HK\$0.55 by way of placement. On the same date, the Company's shares were listed on the GEM. The proceeds of HK\$600,000 representing the par value of the shares of the Company, were credited to the Company's share capital. The remaining proceeds of HK\$32,400,000 before issuing expenses, were credited to share premium account.

13. PLEDGE OF ASSETS

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

	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Pledged bank deposits	7,201	7,094
Trade receivables	10,569	12,298
	17,770	19,392

14. RELATED-PARTY TRANSACTIONS

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Amount due to a related company:		
T-Lab Electronics & Plastics (He Yuan) Co., Ltd.*	<u>595</u>	<u>138</u>

* The beneficial owner of the related company is Mr. Chung Chi Hang Larry.

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Rental paid to a related party		
T-Lab Electronics & Plastics (He Yuan) Co., Ltd	<u>1,718</u>	<u>1,877</u>

The lease of the factory premises from T-Lab Electronics & Plastics (He Yuan) Co., Ltd. constitutes a non-exempt continuing connected transaction under the GEM Listing Rules.

- (c) **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:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Basic salaries and allowances	2,202	1,942
Retirement benefit contributions	<u>90</u>	<u>77</u>
	<u>2,292</u>	<u>2,019</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

Most of the power supply products were manufactured and sold under the Group's brand name called "Keen Ocean" while all electronic parts and components were sold on an original equipment manufacturer basis. Among the products sold, transformers remained the Group's best-selling products and represented approximately 53.4% of the Group's sales for the year ended 31 December 2017 (year ended 31 December 2016: approximately 51.7%). The percentage sales for switching mode power supplies, electronic parts and components as well as enamelled copper wire represented approximately 1.1% (year ended 31 December 2016: approximately 2.9%) and approximately 45.5% (year ended 31 December 2016: approximately 45.4%) respectively of the total sales for the year ended 31 December 2017.

Business performance of the Group has shown signs of improvement during the year under review despite the uncertain economic environment and the global political instability.

As a result of the management's effort, the Group has seen more and more returning of lost customers during the year under review. The return of these customers gave the management a tremendous lift as their efforts were affirmed by both the Group and the return customers.

New products have been launched to supplement the existing product lines. Contributions from these new products to the Group's revenue increased steadily during the year under review. The Group believes that these new products have their niche markets due to their distinctive designs and features which are unique in the market.

Starting from the fourth quarter of the year, the Group began to manufacture and sell enamelled copper wire to customers. Although there is a strong demand for this product in the market, it represents only an insignificant percentage of the Group's total sales for the year under review.

During the year, the Group has also actively launched its advertising and marketing campaigns in order to promote its new and existing products. These campaigns included but not limited to placing advertisements in renowned industrial magazines such as Global Source and taking part in exhibitions held in Guangzhou.

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Sales of transformers	82,207	66,886
Sales of switching mode power supply	1,710	3,742
Sales of electronic parts and products as well as enamelled copper wire	70,076	58,858
	153,993	129,486

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			
	2017	2016	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	35,606	34,488	1,230	1,643
PRC	52,024	41,139	7,123	7,045
Europe	35,566	28,548	–	–
United States	25,687	19,989	–	–
Others	5,110	5,322	–	–
	153,993	129,486	8,353	8,688

INFORMATION ABOUT MAJOR CUSTOMERS

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Customer A ¹	21,002	16,977
Customer B ²	24,374	15,245
Customer C ²	17,135	26,682

¹ Revenue from sales of transformers

² Revenue from sales of electronic parts and components

FINANCIAL REVIEW

The Group's revenue increased by approximately HK\$24.5 million, or 18.9%, from approximately HK\$129.5 million for the year ended 31 December 2016 to approximately HK\$154.0 million for the year ended 31 December 2017. Such increase was primarily due to the winning back of customers lost previously, and contribution from launch of newly developed products. Cost of sales increased by approximately HK\$21.5 million, or 20.8%, from approximately HK\$103.2 million for the year ended 31 December 2016 to approximately HK\$124.7 million for the year ended 31 December 2017. Such increase was mainly attributable to the increase in sale revenue and rise in raw material prices, especially the price of copper. As a result of the increase in sales, the Group's gross profit increase by approximately HK\$3.0 million, or 11.4%, from approximately HK\$26.3 million for the year ended 31 December 2016 to approximately HK\$29.3 million for the year ended 31 December 2017. Gross profit margin decreased from approximately 20.3% for the year ended 31 December 2016 to approximately 19.1% for the year ended 31 December 2017. Such decrease was mainly attributable to the global increase in the price of copper, which is one of the major raw materials for manufacturing of the Group's products.

Despite the Group recorded an increase in sales of scrap materials and receipt of an incentive from the He Yuan Municipal Authority for recognized achievement in development and production of the Group's new products in the city of He Yuan total approximately HK\$0.2 million, Other income of the Group still decreased by approximately HK\$0.1 million or 8.3% from approximately HK\$1.2 million for the year ended 31 December 2016 to approximately HK\$1.1 million for the year ended 31 December 2017. It was mainly due to the one-off compensation of approximately HK\$0.3 million received in 2016 from a transportation company for loss of the Group's merchandise in transit. No more such income was received during the year under review.

Other losses decreased by approximately HK\$0.1 million or 8.3% from losses of approximately HK\$1.2 million for the year ended 31 December 2016 to losses of approximately HK\$1.1 million for the year ended 31 December 2017. Such decrease in losses was mainly attributable to the gain in foreign exchange from the Group's operating activities in PRC as a result of appreciation of Renminbi.

Selling and distribution expenses increased by approximately HK\$1.7 million or 32.1%, from approximately HK\$5.3 million for the year ended 31 December 2016 to approximately HK\$7.0 million for the year ended 31 December 2017. Such increase was due to the increase in sales revenue which caused the corresponding increase in all associated selling and distribution expenses. In addition, more advertising, promotional and sample expenses have been incurred as a result of launching of new products and there was an overall increase in transportation and handling charges by transportation companies for shipment of goods to oversea customers.

Administrative expenses increased by approximately HK\$5.6 million or 24.2% from approximately HK\$23.1 million for the year ended 31 December 2016 to approximately HK\$28.7 million for the year ended 31 December 2017. The increase was mainly due to the increase in research and development expenditures on new products development, hiring of senior staff and more expenses incurred in order to maintain the listing status of the Company's shares on the Stock Exchange.

Other expenses, which comprise solely the expenses in relation to the listing of the Company, decreased by approximately HK\$3.2 million or 100% from approximately HK\$3.2 million for the year ended 31 December 2016 to nil for the year ended 31 December 2017. Such decrease was due to fully expense off the remaining balance of the listing expenses of approximately HK\$3.2 million in the year ended 31 December 2016. Thus, no more such expenses carried over to the year under review.

The Group incurred finance costs at approximately HK\$1.3 million for the year ended 31 December 2017 (year ended 31 December 2016: approximately HK\$1.0 million). Such increase was due to the increase in interest payment as a result of increase in usage of bank factoring services and the short term bank borrowings to finance the purchase of raw materials for production purpose.

Income tax expenses decreased by approximately HK\$53,000 or 100% from approximately HK\$53,000 for the year ended 31 December 2016 to nil for the year ended 31 December 2017. Such decrease was mainly due to no income taxes for both Hong Kong and PRC subsidiaries have been provided due to no profits were generated from these operating subsidiaries for the year under review.

As a result of the above, the Group recorded a loss of approximately HK\$6.7 million for the year ended 31 December 2017 (year ended 31 December 2016: loss of approximately HK\$6.2 million).

PROSPECT

Despite the gloomy economic outlook, the Directors are of the view that the long term prospect for the industries where the Group is operating within are still favourable. The Group has confidence to overcome the current stagnant atmosphere and expand its business by developing and producing more customer-oriented products.

In the short term, apart from promoting the existing products and explore new opportunities, the Group will continue to develop new products to broaden its product range, upgrade its production capability, solidify relationship with existing customers and widen customer base. The Group will also streamline its manufacturing operations in order to enhance its effectiveness and efficiency. More advertising campaigns will be launched in 2018. These includes but not limited to more advertisements to be published in magazines and more participations in overseas trade shows and exhibitions.

In the long run, the Group's will focus on expanding its market share at time of economic rebound by growing its access to a variety of domestic and global markets. This will be achieved through expanding and enhancing its sales and marketing capability. The Group aims to strengthen its competitiveness in the market so as to generate sustainable returns and maximize shareholders' return.

LIQUIDITY AND FINANCIAL RESOURCES

During the year, the Group's source of funds was primarily from the cash generated from operating activities. The Group also utilised bank borrowings to finance its operations. As at 31 December 2017, the Group had a healthy financial position with net assets amounted to approximately HK\$61.1 million (31 December 2016: approximately HK\$67.2 million). Net current assets stood at approximately HK\$52.7 million (31 December 2016: approximately HK\$58.6 million).

As at 31 December 2017, shareholder's fund amounted to approximately HK\$61.1 million (31 December 2016: approximately HK\$67.2 million). Current assets amounted to approximately HK\$102.1 million (31 December 2016: approximately HK\$94.6 million), mainly comprising inventories, trade and other receivables and prepayments, pledged bank deposits, bank balances and cash. Current liabilities amounted to approximately HK\$49.4 million (31 December 2016: approximately HK\$36.0 million), comprising trade and other payables and accruals, bank borrowings and income tax payable. Details of the bank borrowings are set out in note 11 to the financial statements in this announcement.

As at 31 December 2017, the Group's time deposit and bank and cash balance amounted to approximately HK\$13.6 million (31 December 2016: approximately HK\$25.1 million). Net asset value per share was approximately HK\$0.3 (31 December 2016: approximately HK\$0.4).

As at 31 December 2017, 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 0.2% (31 December 2016: approximately 0.1%). Such increase was mainly due to the increase in bank borrowings for purchase of raw materials for production purpose.

As the Company was successfully listed on GEM on 24 February 2016 (the "Listing"), the Group's source of funds can further be satisfied by using a combination of cash generated from operating activities, bank loans and the net proceeds from the Listing and other fund raised from the capital markets from time to time.

CAPITAL STRUCTURE

As at 31 December 2017, the share capital of the Group comprised only ordinary shares. The capital structure of the Group mainly consists of borrowings from bank and equity attributable to owners of the Group, comprising issued share capital and retained earnings respectively. Borrowings from bank were denominated in Hong Kong dollars which were secured by pledged bank deposits and trade receivables of the Group.

FOREIGN EXCHANGE EXPOSURE

The sales of the Group are mainly denominated in US dollars. However, the Group has certain foreign currency sales and purchases transactions denominated in Renminbi, Hong Kong dollar, and Pound Sterling, which expose the Group to foreign currency risk. The Group currently has no foreign currency hedging policy and the management monitors the foreign exchange exposure by closely monitoring the movement of foreign currency rates. Nevertheless, the Group will consider hedging significant foreign currency exposure should the need arise.

SIGNIFICANT INVESTMENT HELD

As at 31 December 2017, the Group did not have any significant investment held (31 December 2016: nil).

CONTINGENT LIABILITIES

As at 31 December 2017, the Group did not have any material contingent liabilities (31 December 2016: nil).

CAPITAL COMMITMENT

As at 31 December 2017, the Group did not have any significant capital commitment (31 December 2016: nil).

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2017, the Group had a total staff of approximately 520 employees (31 December 2016: 500), including the Directors. Total staff costs excluding Directors' remuneration for the year ended 31 December 2017 amounted to approximately HK\$35.4 million (year ended 31 December 2016: approximately HK\$35.2 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.

CHARGES ON THE GROUP'S ASSETS

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

	31 December 2017 HK\$'000	31 December 2016 HK\$'000
Pledged bank deposits	7,201	7,094
Trade receivables	10,569	12,298
	17,770	19,392

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

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

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Saved as disclosed in the prospectus of the Company (the "Prospectus") the Group did not have other plans for material investments and capital assets.

USE OF PROCEEDS

As disclosed in the prospectus the estimated net proceeds from the placing, after deduction of the underwriting fees and expenses paid by the Company in connection therewith, were approximately HK\$16 million. Actual net proceeds received by the Company were approximately HK\$14.8 million. Since the listing of the Company on 24 February 2016 (the "Listing Date"), the Directors have been constantly reviewing and comparing the Group's business strategies as disclosed in the Prospectus with changing market conditions in order to ensure the net proceeds are applied in the most effective ways and in the best interest of the Group. As at end of 31 December 2017, the net proceeds have been fully applied to the purposes for which they were intended.

The net proceeds from the placing have been applied as follows:

Business strategies	(Revised) Planned use of net proceeds from the Listing Date to 31 December 2017⁽³⁾ HK\$'million	Actual use of net proceeds during the period from the Listing Date to 31 December 2017 HK\$'million
Development and launch new products – high power switching mode power supply, amplifier board and digital signal processing board <i>(note (1))</i>	7.77	7.82
Development and launch new products – reactors	2.96	2.94
Solidify established customer relationship and widen customer base and promote existing products	1.30	1.37
Improve production technology and efficiency	1.30	1.32
	<u>13.33</u>	<u>13.45</u>

Notes:

- (1) In 2016, the Group completed the development of (i) 100W, 250W, 1,500W and 2,000W amplifier board; (ii) 100W, 250W, 1,500W and 2,000W power supply board and (iii) the digital signal processing board (medium class). In 2017, the Group targets to develop (i) 3,000W, 5,000W and 10,000W amplifier board; (ii) 3,000W, 5,000W and 10,000W power supply board; and (iii) digital signal processing board (high class).
- (2) The business objectives as stated in the Prospectus were based on the best estimation of the future market conditions made by the Group at the time of preparing the Prospectus. The actual use of net proceeds was applied in accordance with the actual market conditions.
- (3) The shortfall of HK\$1.2 million from the net proceeds received has been allocated back proportionally to each business strategy in accordance with their sharing ratio.
- (4) Since the Listing, the Directors have been constantly reviewing and comparing the Group's business strategies as disclosed in the Prospectus with changing market conditions in order to ensure the net proceeds are applied in the most effective ways and in the best interest of the Group.
- (5) As at 31 December 2017, all net proceeds received from the Listing have been fully applied to the purposes for which they were intended.
- (6) The remaining balance of the net proceeds were used as general working capital.

COMPARISON OF BUSINESS OBJECTIVE WITH ACTUAL BUSINESS PROGRESS

The following is a comparison of the Group's business plan as set out in the Prospectus with actual business progress for the period from the Listing Date to end of 31 December 2017.

Business Objectives up to 31 December 2017 as set out in the Prospectus

Actual business progress up to 31 December 2017

Business strategy

Actual implementation plan

Development and launch new products
– high power switching mode power supply, amplifier board and digital signal processing board

- Completed development and launched of (i) 100W and 250W amplifier board, (ii) 100W and 250W power supply board and (iii) the digital signal processing board (medium class) and (iv) high power 1,500W and 2,000W amplifier board and the 1,500W and 2,000W power supply board.
- Completed fine-tuned and tested samples before sending to customers.
- Completed samples tested by prospective customers for testing.
- Completed pilot run and ready for mass production.
- Obtained safety standards for new products.
- Continue to place effort in securing more customers through participating in trade fairs and advertising in magazines and websites.
- Completed training of sales staff to explore and identify potential customers for new products developed.
- Obtained purchase order from customers.

**Business Objectives up to
31 December 2017 as set out
in the Prospectus**

Business strategy

Development and launch new products
– reactors

**Actual business progress up to
31 December 2017**

Actual implementation plan

- Continue to receive feedbacks from customers and market on products regularly.
- Completed improvement and enhancement of products.
- Continue the development of 3,000W, 5,000W and 10,000W amplifier board; 3,000W, 5,000W and 10,000W power supply board; and digital signal processing board (high class).
- Purchase of equipment for high power supply and amplifier board.
- Diversify the model of the product leveraging on the existing product experience.
- Completed pilot run of reactors and ready for mass production.
- Obtained relevant safety standard certification.
- Continue to explore and identify potential customers.
- Completed promoting and advertising the new products in trade fair and magazine.
- Secured customers' purchase orders.
- Completed addition of equipment for producing reactors.

**Business Objectives up to
31 December 2017 as set out
in the Prospectus**

**Actual business progress up to
31 December 2017**

Business strategy

Actual implementation plan

- Solidify established customer relationship and widen customer base and promote existing products

 - Continue to obtain feedbacks from customers and place effort in marketing new products regularly.
 - Continue to improve and enhance the new products.
 - Diversify the model of the product leveraging on the existing product experience.
 - Completed expansion of the online sales team.
 - Visited and continue to visit major customers and ex-customers regularly by the senior management and sales and marketing staff to introduce our products, exchange market information and foster better business relationship.
 - Completed training of telephone hotline staff to handle complaints and answer existing and potential customers' enquiries.
- Improve production technology and efficiency

 - Completed the review regularly on how to increase automation of production process and implement the improvement plan by stages.
 - Completed the review on the efficiency of manufacturing staff and implement the improvement plan regularly.
 - Completed the review of policy by paying our staff by number of pieces made and will implement the policy by stages.

OTHER INFORMATION

FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 December 2017 (year ended 31 December 2016: 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 2017, the Company has complied with the CG Code as set out in Appendix 15 of the GEM Listing Rules.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company, having made specific enquiry of all Directors, is not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by the Directors during the year ended 31 December 2017.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2017, 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 December 31, 2017 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

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. Wong Choi Chak, Mr. Li Chung Pong, Stephen and Mr. Lam Chon Loi. Mr. Wong Choi Chak is the chairman of the Audit Committee. The Audit Committee has reviewed the audited consolidated annual results of the Group for the year ended 31 December 2017.

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

This announcement is published on the websites of the Stock Exchange (www.hkgem.com) and the Company (www.keenocean.com.hk). The annual report of the Company for the year ended 31 December 2017 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, 19 March 2018

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. Wong Choi Chak, Mr. Li Chung Pong, Stephen and Mr. Lam Chon Loi.

This announcement will remain on the “Latest Company Announcements” page on the GEM website at www.hkgem.com for at least 7 days from the day of its posting. This announcement will also be published on the Company’s website at www.keenocean.com.hk.