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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 2018

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 Main Board. 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**”) collectively and individually accept full responsibility, include 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 of the Company (the “**Board**”) is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2018, together with the comparative figures for the year ended 31 December 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	<i>Notes</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Revenue	3	168,905	153,993
Cost of sales		<u>(144,432)</u>	<u>(124,656)</u>
Gross profit		24,473	29,337
Interest revenue		128	164
Other income		915	937
Other gains and (losses)		107	(226)
Selling and distribution expenses		(6,691)	(6,967)
Administrative expenses		<u>(24,149)</u>	<u>(28,654)</u>
Loss from operations		(5,217)	(5,409)
Finance costs		<u>(1,664)</u>	<u>(1,328)</u>
Loss before tax		(6,881)	(6,737)
Income tax expense	4	<u>–</u>	<u>–</u>
Loss for the year	5	(6,881)	(6,737)
Other comprehensive income after tax: <i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		<u>370</u>	<u>587</u>
Total comprehensive expense for the year		<u>(6,511)</u>	<u>(6,150)</u>
Loss for the year attributable to:			
Owners of the Company		(6,884)	(6,737)
Non-controlling interests		<u>3</u>	<u>–</u>
		<u>(6,881)</u>	<u>(6,737)</u>
Total comprehensive expenses for the year attributable to:			
Owners of the Company		(6,514)	(6,150)
Non-controlling interests		<u>3</u>	<u>–</u>
		<u>(6,511)</u>	<u>(6,150)</u>
Loss per share			
Basic and diluted (HK cents)	7	<u>(3.44)</u>	<u>(3.37)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	<i>Notes</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment	8	<u>10,344</u>	<u>8,353</u>
Current assets			
Inventories		52,115	39,315
Trade and other receivables and prepayments	9	34,897	41,909
Prepaid income tax		–	76
Pledged bank deposits		7,256	7,201
Bank and cash balances		<u>4,318</u>	<u>13,641</u>
		<u>98,586</u>	<u>102,142</u>
Current liabilities			
Trade and other payables and accruals	10	26,579	19,283
Contract liabilities		6,511	1,077
Bank loans and overdrafts	11	19,411	28,448
Amount due to a related party		<u>1,834</u>	<u>595</u>
		<u>54,335</u>	<u>49,403</u>
Net current assets		<u>44,251</u>	<u>52,739</u>
NET ASSETS		<u>54,595</u>	<u>61,092</u>
Capital and reserves			
Share capital	12	2,000	2,000
Reserves		<u>52,578</u>	<u>59,092</u>
Equity attributable to owners of the Company		54,578	61,092
Non-controlling interests		<u>17</u>	<u>–</u>
TOTAL EQUITY		<u><u>54,595</u></u>	<u><u>61,092</u></u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. GENERAL INFORMATION

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

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations and effective for its accounting year beginning on 1 January 2018. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current year and prior years except as stated below.

HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 has been applied retrospectively and resulted in changes in the consolidated amounts reported in the financial statements as follows:

	31 December	1 January
	2017	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
At 31 December 2017		
Decrease in trade and other payables and accruals	(1,077)	(727)
Increase in contract liabilities	1,077	727

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:

	2018	2017
	HK\$'000	HK\$'000
Sales of transformers	91,828	82,207
Sales of switching mode power supply	1,809	1,710
Sales of electronic parts and components and other products	75,268	70,076
	<u>168,905</u>	<u>153,993</u>
Revenue from contracts with customers	168,905	153,993

Disaggregation of revenue from contracts with customers:

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			
	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	45,070	35,606	972	1,230
PRC	55,844	52,024	9,372	7,123
Europe	29,732	35,566	–	–
United States	27,618	25,687	–	–
Others	10,641	5,110	–	–
	<u>168,905</u>	<u>153,993</u>	<u>10,344</u>	<u>8,353</u>

All timing of revenue recognition is at a point of time for the year ended 31 December 2018 and 2017.

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

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

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

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

4. INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the year ended 31 December 2018 and 2017.

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 the following:

	2018	2017
	HK\$'000	HK\$'000
Auditor's remuneration	400	400
Depreciation of property, plant and equipment	2,278	2,748
Cost of inventories sold	143,559	123,965
Operating lease charges	2,898	3,034
Research and development expenses	3,468	3,761
Directors' remuneration	1,410	1,426
Staff costs (not including directors' emoluments)		
Salaries, bonus and allowances	33,094	33,328
Retirement benefits scheme contributions	2,387	2,106
Total staff costs (including directors' emoluments)	36,891	36,860

6. DIVIDENDS

The directors of the Company did not recommend the payment of any dividend for the years ended 31 December 2018 and 2017.

7. LOSS PER SHARE

	2018 <i>HK\$'000</i>	2017 <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><u>(6,884)</u></u>	<u><u>(6,737)</u></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>200,000</u></u>

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

8. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Furniture, fixtures and office equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
COST					
At 1 January 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)
At 31 December 2017 and 1 January 2018	399	14,334	1,749	2,841	19,323
Additions	959	3,659	98	200	4,916
Disposals	–	–	–	(51)	(51)
Exchange differences	(54)	(967)	(75)	(90)	(1,186)
At 31 December 2018	1,304	17,026	1,772	2,900	23,002
ACCUMULATED DEPRECIATION					
At 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)
At 31 December 2017 and 1 January 2018	50	8,427	1,081	1,412	10,970
Charge for the year	314	1,304	147	513	2,278
Eliminated on disposals	–	–	–	(48)	(48)
Exchange differences	(12)	(423)	(46)	(61)	(542)
At 31 December 2018	352	9,308	1,182	1,816	12,658
CARRYING AMOUNTS					
At 31 December 2018	952	7,718	590	1,084	10,344
At 31 December 2017	349	5,907	668	1,429	8,353

9. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	31,671	39,101
Less: allowance for doubtful receivables	(2,793)	(2,793)
	28,878	36,308
Deposits	944	1,260
Prepayments	3,394	2,524
Other tax recoverable	582	645
Other receivables	1,099	1,172
	34,897	41,909

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. The carrying amount of the trade receivables at 31 December 2018 that have been transferred but have not been derecognised amounted to HK\$9,737,000 (31 December 2017: HK\$10,569,000) and the carrying amount of the associated liability is HK\$5,226,000 (31 December 2017: HK\$8,186,000).

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:

	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
0-90 days	23,555	31,719
91 to 180 days	3,208	1,718
181 to 365 days	1,084	1,649
Over 1 year	1,031	1,222
	28,878	36,308

10. TRADE AND OTHER PAYABLES AND ACCRUALS

	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	19,678	15,046
Accrued expenses	6,550	3,940
Other tax payables	351	297
	<hr/>	<hr/>
	26,579	19,283
	<hr/> <hr/>	<hr/> <hr/>

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

	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
0-90 days	14,775	14,368
91 to 180 days	4,533	169
181 to 365 days	80	196
Over 1 year	290	313
	<hr/>	<hr/>
	19,678	15,046
	<hr/> <hr/>	<hr/> <hr/>

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

11. BANK LOANS AND OVERDRAFTS

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Bank loans	2,000	2,077
Trust receipt loans	8,616	15,071
Factoring loans	5,226	8,186
Bank overdraft	3,569	3,114
	<u> </u>	<u> </u>
Total borrowings	19,411	28,448
	<u> </u>	<u> </u>
Bank borrowings which are secured by assets held by the Group	19,411	28,371
Unsecured bank borrowings	–	77
	<u> </u>	<u> </u>
	19,411	28,448
	<u> </u>	<u> </u>

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	19,411	28,448
More than one year but within two years	–	–
	<u> </u>	<u> </u>
	19,411	28,448
Less: Amount due for settlement within 12 months (shown under current liabilities)	(19,411)	(28,448)
	<u> </u>	<u> </u>
Amount due for settlement after 12 months	–	–
	<u> </u>	<u> </u>

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
HK\$	3,570	6,848
	<u> </u>	<u> </u>

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings as at 31 December 2018 and 2017, respectively, are as follows:

	2018	2017
Effective interest rates (per annum):		
Variable interest rates	<u>2.85% - 6.20%</u>	<u>3.15% - 4.75%</u>

12. SHARE CAPITAL

	Number of shares	Share capital HK\$
Authorised:		
Ordinary shares of HK\$0.01, (2017: HK\$0.01) each		
At 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	<u>1,000,000,000</u>	<u>10,000,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.01, (2017: HK\$0.01) each		
At 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	<u>200,000,000</u>	<u>2,000,000</u>

13. PLEDGE OF ASSETS

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

	2018	2017
	HK\$'000	HK\$'000
Pledged bank deposits	7,256	7,201
Trade receivables	9,737	10,569
	<u>16,993</u>	<u>17,770</u>

14. RELATED-PARTY TRANSACTIONS

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Amount due to a related company:		
T-Lab Electronics & Plastics (He Yuan) Co., Ltd.*	1,834	595

* 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:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Rental paid to a related party		
T-Lab Electronics & Plastics (He Yuan) Co., Ltd	2,069	1,718

- (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:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Basic salaries and allowances	2,214	2,202
Retirement benefit contributions	88	90
	2,302	2,292

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, enamelled copper wire, electric healthcare products and inverters. Customers are mainly manufacturers and trading entities.

Most of the power supply products were manufactured and sold under the Group's branch name called "Keen Ocean" while all electronic parts and component were sold on an original equipment manufacturer basis. Among the products sold, transformers remained the Group's best-selling products and represented approximately 54.4% of the Group's sales for the year ended 31 December 2018 (year ended 31 December 2017: approximately 53.4%). The percentage sales for switching mode power supplies represented approximately 1.1% (year ended 31 December 2017: approximately 1.1%) of the total sales and the electronic parts and components and other products represented approximately the remaining 44.6% of the total sales for the year ended 31 December 2018 (year ended 31 December 2017: approximately 45.5%).

The global economic growth has shown sign of slowdown especially in the fourth quarter of the year. This is mainly due to the ongoing uncertainties around the US-China trade war, the withdrawal of United Kingdom from the European Union and other global geo-political risk. The Group's performance was inevitably affected by these negative uncertainties.

During the year, the Group also faced the rise in material cost, especially the price of copper and silicone steel. Copper price was remaining obstinately high during the year and increased by approximately 8.5% as compared to the average price in corresponding last year. Given the current political climate, the Group anticipates that copper price could remain high for some time. The Group has not attempted to hedge against rise in copper price. Nevertheless, if the price continues to rise, the Group will consider all possible methods to alleviate or counteract the increase.

The Group manufactured and sold enamelled copper wire in the first half of the year but then decided to temporarily suspend the operation for a while because of its low profit margin. It may tie up the Group's resources which would otherwise be used to produce more profitable products at time of high reason.

During the fourth quarter, the Group began to ship two new products, namely electric toothbrush and inverter, to overseas customers. Contribution of sales from these two new products amounted to approximately HK\$6.8 million in 2018. There is a great demand for these two new products from overseas market.

The Group also recorded an increase in sales of other newly developed products such as high power switching mode power supply, amplifier board and the digital signal processing board, even though such increase was lower than the Group expected. The Directors believe that it is just a matter of time before customers accept the products. Investigation is being conducted by the Directors into any other possible reasons for such sluggishness and find ways to improve.

During the year, the Group continued 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 overseas.

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Sales of transformers	91,828	82,207
Sales of switching mode power supply	1,809	1,710
Sales of electronic parts and components and other products	75,268	70,076
	168,905	153,993

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	
	2018 <i>HK\$'000</i>	2017 HK\$'000	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Hong Kong	45,070	35,606	972	1,230
PRC	55,844	52,024	9,372	7,123
Europe	29,732	35,566	–	–
United States	27,618	25,687	–	–
Others	10,641	5,110	–	–
	168,905	153,993	10,344	8,353

INFORMATION ABOUT MAJOR CUSTOMERS

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Customer A ¹	19,366	21,002
Customer B ²	26,123	24,374
Customer C ^{2,3}	7,246	17,135

¹ Revenue from sales of transformers

² Revenue from sales of electronic parts and components

³ Revenue from the customer did not exceed 10% of total revenue in the year 2018.

Financial Review

The Group's revenue increased by approximately HK\$14.9 million, or 9.7%, from approximately HK\$154.0 million for the year ended 31 December 2017 to HK\$168.9 million for the year ended 31 December 2018. Such increase was primarily due to the increase in pricing of its products as a result of increase in production costs. The increase was also due to the contribution from sales of two new products, namely electric toothbrush and inverters. Cost of sales increased by approximately HK\$19.7 million, or 15.8%, from approximately HK\$124.7 million for the year ended 31 December 2017 to approximately HK\$144.4 million for the year ended 31 December 2018. Such increase was mainly due to the rise in labour wages and raw material costs, especially prices of copper and silicon steel which are essential raw materials for manufacturing of the Group's products. The group recorded a rise in prices of copper and silicon steel by approximately 8.5% and 20% respectively as compared to the prices in last year. Despite the increase in sales, the Group's gross profit decreased by approximately HK\$4.8 million, or 16.4%, from approximately HK\$29.3 million for the year ended 31 December 2017 to approximately HK\$24.5 million for the year ended 31 December 2018. Gross profit margin went down from 19.0% for the year ended 31 December 2017 to 14.5% for the year ended 31 December 2018. Such drop was again due to the high material costs and labour wages.

Other income decreased by approximately HK\$22,000 or 2.3% from approximately HK\$937,000 for the year ended 31 December 2017 to approximately HK\$915,000 for the year ended 31 December 2018. Such decrease was mainly due to the reduction of government grant received from the He Yuan Municipal Authority for achievement obtained by the Group's subsidiary in the design and production of innovative products within He Yuan city.

Other gains and losses increased by approximately HK\$333,000 or 211.0% from loss of approximately HK\$226,000 for the year ended 31 December 2017 to gains of approximately HK\$107,000 for the year ended 31 December 2018. Such increase in gain was due to improvement in bad debt allowance as a result of better credit control on collection of trade receivables.

Selling and distribution expenses decreased by approximately HK\$0.3 million or 4.3%, from approximately HK\$7.0 million for the year ended 31 December 2017 to approximately HK\$6.7 million for the year ended 31 December 2018. Such decrease was due to the change in policy in relation to the reimbursement of sales related expenses, such as travelling, entertainment and hotel accommodation, incurred by salesmen in the course of selling the Group's products. Before the change, reimbursement was based on actual receipts presented. After the change, reimbursement is based on the amount of sales concluded by salesmen multiplying by a percentage fixed by management. The change in policy was to prevent abuse in claiming sales related expenses.

Administrative expenses decreased by approximately HK\$4.6 million or 16.0% from approximately HK\$28.7 million for the year ended 31 December 2017 to approximately HK\$24.1 million for the year ended 31 December 2018. The decrease was mainly due to effectively cutting down on unnecessary overhead expenditures and streamlining administrative workflows by the management.

Finance costs increased by approximately HK\$0.4 million or 23.5% from approximately HK\$1.3 million for the year ended 31 December 2017 to approximately HK\$1.7 million for the year ended 31 December 2018. The increase was mainly due to the increase in bank interest arising from the increase in short term factoring service, a common type of debtor finance which the Group sells its accounts receivable to the bank at a discount for immediate cash received, as a result of increase in sales.

There was no provision for income taxes for the Group's operations as a result of losses incurred during the year under review (year ended 31 December 2017: HK\$ nil).

As a result of the above, the Group recorded a loss of approximately HK\$6.9 million for the year ended 31 December 2018 (year ended 31 December 2017: loss of approximately HK\$6.7 million).

Prospect

The growth of the global economy is expected to slow down in 2019 as compared with 2018, according to the Semi-annual Global Economic Prospects Report published by the World Bank. Other world leading investment bankers also share similar economic sentiment. The Directors believe that 2019 will be a challenging year for the Group.

The recent trade war between US and China and the rise in production cost may have impact on the Group's profitability. Nevertheless, the Group will try its best to overcome the obstacles faced and hope to keep the impact, if any, to as minimum as possible. Despite the gloomy economic outlook and political instability, the Directors are of the view that the long term prospect for the industries in which the Group is operating are still favourable. The Directors have confidence to overcome the current stagnant atmosphere and expand its business by producing more customer-oriented products.

The Directors believe that new products will continue to contribute sales to the Group in the coming year as these new products, such as electric healthcare products and inverters, have their niche markets due to their distinctive designs and features which are unique in the market.

In the short term, apart from promoting the existing products and exploring 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 2019. 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 strive to increase its market share at time of economic rebound through strengthening 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 2018, the Group had a stable financial position with net assets amounted to approximately HK\$54.6 million (31 December 2017: approximately HK\$61.1 million). Net current assets stood at approximately HK\$44.3 million (31 December 2017: approximately HK\$52.7 million).

As at 31 December 2018, Shareholder's fund amounted to approximately HK\$54.6 million (31 December 2017: approximately HK\$61.1 million). Current assets amounted to approximately HK\$98.6 million (31 December 2017: approximately HK\$102.1 million), mainly comprising inventories, trade and other receivables and prepayments, pledged bank deposits, bank and cash balance. Current liabilities amounted to approximately HK\$54.3 million (31 December 2017: approximately HK\$49.4 million), mainly comprising trade and other payables and accruals, bank borrowings and amount due to a related company.

As at 31 December 2018, the Group's bank and cash balance amounted to approximately HK\$4.3 million (31 December 2017: approximately HK\$13.6 million). Net asset value per share was approximately HK\$0.3 (31 December 2017: approximately HK\$0.3).

As at 31 December 2018, 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 0.28% (31 December 2017: approximately 0.24%). Such increase was mainly due to the increase in bank borrowing during the period under review.

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

Capital Structure

As at 31 December 2018, 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 2018, the Group did not have any significant investment held (31 December 2017: nil).

Contingent Liabilities

As at 31 December 2018, the Group did not have any material contingent liabilities (31 December 2017: nil).

Capital Commitment

As at 31 December 2018, the Group did not have any significant capital commitment (31 December 2017: nil).

Employee and Remuneration Policies

As at 31 December 2018, the Group had a total staff of approximately 530 employees (31 December 2017: approximately 520), including the Directors. Total staff costs excluding Directors' remuneration for the year ended 31 December 2018 amounted to approximately HK\$35.5 million (year ended 31 December 2017: approximately HK\$35.4 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.

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 2018 HK\$'000	31 December 2017 HK\$'000
Pledged bank deposits	7,256	7,201
Trade receivables	9,737	10,569
	<u>16,993</u>	<u>17,770</u>

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

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

Future Plans for Material Investments and Capital Assets

As at 31 December 2018, the Group did not have other plans for material investments and capital assets.

EVENTS AFTER 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 final dividend for the year ended 31 December 2018 (year ended 31 December 2017: 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 2018, 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 2018.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2018, 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 2018 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 3 June 2019. A notice convening the Annual General Meeting will be issued and dispatched to shareholders of the Company (the “**Shareholders**”) in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 28 May 2019 to 3 June 2019 (both dates inclusive) during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the Annual General Meeting, all transfers of Shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration not later than 4:00 p.m. on 27 May 2019.

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. Ng Wing Cheong, Mr. Li Chung Pong, Stephen and Mr. Lam Chon Loi. Mr. Ng Wing Cheong 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 2018.

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 2018 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, 18 March 2019

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. Ng Wing Cheong, 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.