

**KEEN OCEAN INTERNATIONAL HOLDING LTD:  
THIS COMPANY NEEDS YOUR MONEY –  
IN A HURRY !**

There are two important aspects with regard to the latest company to seek a listing on the secondary equity market of the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC), namely:

1. The Company made a very material Loss Attributable to Shareholders in respect of the Financial Year, ended December 31, 2015. This Net Loss was the first reversal of fortunes with regard to the 32-month, track-record period, ended August 15, 2015; and,
2. The Company has lost 60 percent of its major, long-term customs, the effect of which has to be considered very material since the five major customers of the Company had, prior to the loss of three of them, contributed more than 50 percent of Total Revenue in respect of the track-record period.

Obtaining long-term customers is difficult enough for any industrialist; keeping long-term customers is even more difficult, however.

**The Initial Public Offering (IPO)**

The Placing Prospectus of Keen Ocean International Holding Ltd () (Code: 8070, The Growth Enterprise Market [The GEM] of The Stock Exchange of Hongkong Ltd) was published and disseminated on February 17, 2016.

The Company announced that it was desirous of Placing 60 million, one-cent Shares at the Placing Price Per Share, ranging from a low of 50 cents to a high of 60 cents.

At Pages 270 and 271 of the Placing Prospectus, it is stated that, at the Placing Price of 55 cents per share, being the midpoint of the Indicative Placing Price Per Share, Management estimates that it would net about \$HK16 million.

This relatively modest amount of money would be utilised as follows, one is told:

- Approximately, \$HK11.60 million, representing about 72 percent of the net proceeds, would be applied *'for the investment cost for the design and development of the new product, namely high power switching mode power supply for audio equipment and reactors, as to approximately HK\$2.2 million as promotion and marketing costs, HK\$2.1 million as design and development costs, HK\$5.1 million for material preparation and HK\$2.2 million for machinery and equipment cost'*;
- Approximately, \$HK1.40 million, representing about nine percent of the net proceeds, *'for the promotion of existing products and solidifying the relationship with existing customers'*;
- Approximately, \$HK1.40 million, representing about nine percent of the net proceeds, *'for increasing the automation level of existing production facilities'*; and,

- Approximately, \$HK1.60 million, representing about 10 percent of the net proceeds, ‘*will be used towards working capital and other general corporate purposes*’.

The last-mentioned item with regard to the deployment of 10 percent of the net proceeds from the share placements to be used as Working Capital strikes home because, as at August 31, 2015, under Current Assets in the Consolidated Balance Sheets, the Company had only \$HK4,468,000 in bank balances and cash.

In today’s world, that is not a great deal of money – especially for a manufacturer of any note.

### **The Business of Keen Ocean International**

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