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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)

THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2016

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 GEM of The Stock Exchange of Hong Kong Limited (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 or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

THIRD QUARTERLY RESULTS

The board of directors (the “**Board**”) of Keen Ocean International Holding Limited hereby announces the unaudited condensed consolidated results of the Group for the three months and nine months ended 30 September 2016, together with the comparative figures for the corresponding period in 2015 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and nine months ended 30 September 2016

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Revenue	3	30,660	46,514	94,256	132,325
Cost of sales		(24,741)	(37,030)	(74,968)	(104,832)
Gross profit		5,919	9,484	19,288	27,493
Other income	4	301	278	995	472
Other gains and (losses)		(61)	346	248	(229)
Selling and distribution expenses		(1,189)	(1,198)	(3,701)	(3,536)
Administrative expenses		(4,920)	(5,137)	(15,605)	(14,559)
Other expense	5	–	(930)	(3,168)	(7,879)
Finance costs	6	(226)	(295)	(868)	(1,328)
(Loss) profit before tax	7	(176)	2,548	(2,811)	434
Income tax expense	8	(215)	(463)	(1,032)	(1,821)
(Loss) profit and total comprehensive income (expense) for the period		<u>(391)</u>	<u>2,085</u>	<u>(3,843)</u>	<u>(1,387)</u>
(Loss) earnings per share – Basic (HK cents)	10	<u>(0.02)</u>	<u>1.49</u>	<u>(2.04)</u>	<u>(0.99)</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2016

	Attributable to owners of the Company					Total HK\$'000
	Share capital HK\$'000	Share Premium HK\$'000	Special reserve HK\$'000 (note a)	Retained profits HK\$'000	Translation reserve HK\$'000	
At 1 January 2015	-	-	3,000	44,136	(110)	47,026
Loss and comprehensive expense for the period	-	-	-	(1,387)	-	(1,387)
At 30 September 2015	<u>-</u>	<u>-</u>	<u>3,000</u>	<u>42,749</u>	<u>(110)</u>	<u>45,639</u>
At 1 January 2016 (Audited)	-	-	3,000	43,607	(110)	46,497
Issue of shares by capitalisation of share premium account (note b)	1,400	(1,400)	-	-	-	-
Issue of new shares pursuant to placement (note c)	600	32,400	-	-	-	33,000
Expenses incurred in connection with issue of shares	-	(6,027)	-	-	-	(6,027)
Loss and comprehensive expense for the period	-	-	-	(3,843)	(66)	(3,909)
At 30 September 2016	<u>2,000</u>	<u>24,973</u>	<u>3,000</u>	<u>39,764</u>	<u>(176)</u>	<u>69,561</u>

Notes:

- a) The special reserve represents the difference between the nominal value of shares of Keen Ocean Industrial Limited at the date on which it was acquired by Keen Ocean Electronics Co., Ltd. and the consideration was settled by way of issue of 100 ordinary shares by Keen Ocean Electronics Co., Ltd. to the Company pursuant to the reorganisation.
- 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 prorata basis, conditional on the share premium account being credited as a result of the issue of shares by the Company pursuant to the placement.
- 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 Board of the Stock Exchange. 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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2016

1. GENERAL INFORMATION

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law of Cayman Islands on 19 December 2014 and its shares were listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM”) on 24 February 2016. The address of the registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands and principal place of business of the Company is Unit 5, 34th Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong.

The Company is an investment holding company and its subsidiaries are principally engaged in the design, manufacture and distribution of power supply products.

The functional currency of the Company is United States dollars (“US\$”) and the presentation currency of the Group is Hong Kong dollars (“HK\$”) as the directors of the Company consider that it is easier to monitor the financial performance of the Group.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements of the Group for the nine months ended 30 September 2015 and 2016 have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the disclosure requirements of the GEM Listing Rules.

The basis of preparation and accounting policies adopted in preparing these unaudited condensed consolidated financial statements are consistent with those adopted in the preparation of the Group’s annual financial statements for the year ended 31 December 2015, except for the adoption of the new and revised HKFRSs that have become effective for its accounting period beginning on 1 January 2016.

The adoption of the new and revised HKFRSs has no significant effect on these unaudited condensed consolidated financial statements.

The Group has not early adopted the new and revised HKFRSs that have been issued but are not yet effective for the current accounting period of the Group.

The unaudited condensed consolidated financial statements have been prepared under historical cost basis.

3. REVENUE AND SEGMENTAL INFORMATION

Revenue represents the fair value of amounts received and receivable for goods sold by the Group to outside customers, less discount. The Group’s operation is solely derived from the manufacture and sale of transformers, switching mode power supply, electronic parts and components during the reporting period. For the purpose of resources allocation and performance assessment, the chief operating decision maker (i.e. the chief executive officer of the Company) reviews the overall results and financial position of the Group as a whole prepared based on same accounting policies set out in note 2. Accordingly, the Group has only one single operating segment and no further analysis of this single segment is presented.

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

	For the three months ended 30 September		For the nine months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Sales of transformers	16,527	21,225	47,965	57,372
Sales of switching mode power supply	617	1,685	2,680	6,075
Sales of electronic parts and products	13,516	23,604	43,611	68,878
	<u>30,660</u>	<u>46,514</u>	<u>94,256</u>	<u>132,325</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 external customer				Non-current assets	
	For the three months ended 30 September		For the nine months ended 30 September		30 September	31 December
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Audited)
Hong Kong	4,170	10,472	19,871	36,192	1,659	644
PRC	10,414	8,560	31,274	30,399	6,959	7,705
Europe	6,798	11,466	22,054	35,819	-	-
United States	4,893	6,682	13,008	16,251	-	-
Others	4,385	9,334	8,049	13,664	-	-
	<u>30,660</u>	<u>46,514</u>	<u>94,256</u>	<u>132,325</u>	<u>8,618</u>	<u>8,349</u>

4. OTHER INCOME

	For the three months ended 30 September		For the nine months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Sales of scrap materials	78	265	439	415
Bank interest income	7	13	35	57
Compensation from transportation	104	-	311	-
Gain on disposal of fixed asset	-	-	28	-
Government incentive	112	-	182	-
	<u>301</u>	<u>278</u>	<u>995</u>	<u>472</u>

5. OTHER EXPENSE

	For the three months ended 30 September		For the nine months ended 30 September	
	2016 <i>HK\$'000</i> (Unaudited)	2015 <i>HK\$'000</i> (Unaudited)	2016 <i>HK\$'000</i> (Unaudited)	2015 <i>HK\$'000</i> (Unaudited)
Professional fee in relation on listing	<u>–</u>	<u>930</u>	<u>3,168</u>	<u>7,879</u>

6. FINANCE COSTS

	For the three months ended 30 September		For the nine months ended 30 September	
	2016 <i>HK\$'000</i> (Unaudited)	2015 <i>HK\$'000</i> (Unaudited)	2016 <i>HK\$'000</i> (Unaudited)	2015 <i>HK\$'000</i> (Unaudited)
Interest on bank borrowings	<u>226</u>	<u>295</u>	<u>868</u>	<u>1,328</u>

7. LOSS BEFORE TAX

	For the three months ended 30 September		For the nine months ended 30 September	
	2016 <i>HK\$'000</i> (Unaudited)	2015 <i>HK\$'000</i> (Unaudited)	2016 <i>HK\$'000</i> (Unaudited)	2015 <i>HK\$'000</i> (Unaudited)
Loss before tax has been arrived at after charging:				
Auditor's remuneration	–	–	668	200
Depreciation of plant and equipment	792	1,050	1,868	2,393
Cost of inventories sold	23,142	38,514	71,862	104,281
Minimum lease payment paid under operating leases	621	834	2,080	2,318
Research and development expenses	785	208	2,748	514
Directors' emoluments				
– Salaries and other benefits	332	258	901	785
– Retired benefit contributions	13	12	34	35
	<u>345</u>	<u>270</u>	<u>935</u>	<u>820</u>
Staff salaries and other benefits	6,845	8,186	20,747	22,943
Staff retirement benefit contributions	479	817	1,592	2,941
	<u>7,324</u>	<u>9,003</u>	<u>22,339</u>	<u>25,884</u>
Total staff costs (including directors' emoluments)	<u>7,669</u>	<u>9,273</u>	<u>23,274</u>	<u>26,704</u>

8. INCOME TAX EXPENSES

	For the three months ended 30 September		For the nine months ended 30 September	
	2016 <i>HK\$'000</i> (Unaudited)	2015 <i>HK\$'000</i> (Unaudited)	2016 <i>HK\$'000</i> (Unaudited)	2015 <i>HK\$'000</i> (Unaudited)
Current tax:				
Hong Kong Profits Tax	215	383	894	893
PRC Enterprise Income Tax	–	80	138	928
	<u>215</u>	<u>463</u>	<u>1,032</u>	<u>1,821</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25%.

9. DIVIDENDS

No interim dividends have been paid or declared by the Company for the nine months ended 30 September 2016 (for the nine months ended 30 September 2015: nil).

10. (LOSS) EARNINGS PER SHARE

Basis (loss)/earnings per shares are calculated by dividing the (loss)/gain attributable to shareholders of the Company by the weighted average number of ordinary shares in issued for the nine months ended 30 September 2016 and 2015.

	For the three months ended 30 September		For the nine months ended 30 September	
	2016 <i>HK\$'000</i> (Unaudited)	2015 <i>HK\$'000</i> (Unaudited)	2016 <i>HK\$'000</i> (Unaudited)	2015 <i>HK\$'000</i> (Unaudited)
(Loss)/gain:				
(Loss)/gain for the purpose of calculating basis (loss)/earnings per share	<u>(391)</u>	<u>2,085</u>	<u>(3,834)</u>	<u>(1,387)</u>
	<i>'000</i>	<i>'000</i>	<i>'000</i>	<i>'000</i>
Number of shares:				
Number of ordinary shares for the purpose of calculating basis (loss)/earnings per share	<u>200,000,000</u>	<u>140,000,000</u>	<u>188,131,868</u>	<u>140,000,000</u>

Note: The calculation of basic earnings/(loss) per share for the nine months ended 30 September 2016 and 2015 are based on the gain/(loss) for the periods attributable to owners of the Company and the weighted average number of approximately 188,131,868 (2015: 140,000,000) ordinary shares of the Company in issue during the nine months ended 30 September 2016 after taking into account the share transfer and allotment and issue of new shares pursuant to the Group's reorganisation and the placing on the Stock Exchange.

The number of ordinary shares for the purpose of calculating basic earnings/(loss) per share for the nine months ended 30 September 2015 has been determined on the assumption that the capitalisation issue had been effective on 1 January 2015.

No diluted earnings/(loss) per share for the current and prior period was presented as there were no dilutive potential ordinary shares in issue.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the period under review, the Group was principally engaged in the design, development, production and sale of power supply products, in particular, transformers, switching mode power supplies, and other electronic parts and components. The Group sells its products domestically and to overseas customers. Customers are mainly manufacturers and trading entities.

The Group's production facilities are located at He Yuan City, Guangdong, the People's Republic of China ("PRC"). All 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, in particular Toroidal transformers, one of the Group's flagship products, have the highest profit margin and represented approximately 50.9% of total sales for the nine months ended 30 September 2016 (nine months ended 30 September 2015: approximately 43.4%). The percentage sales for switching mode power supplies and electronic parts and components represented approximately 2.8% (nine months ended 30 September 2015: approximately 4.6%) and 46.3% (nine months ended 30 September 2015: 52.0%) respectively of the total sales for the nine months ended 30 September 2016.

Business performance of the Group for the third quarter of this year continued to be impacted by the global economic slowdown. Customers were cautious and conservative in placing their orders amid the uncertain economic condition.

During the beginning of this year, the Group has set up a new sales team to focus on selling of the Group's products online. This small sale team also plays an important role in handling the advertising and promotion of the Group's products online as well as answering customers' enquiries. During the period under review, the Group received encouraged feedback from existing and potential customers for the online sales team regardless of its contribution of revenue still represents a small part of the total sales.

Sales of newly developed low to medium power level amplifier board, the 100W power supply board during the period under review have increased gradually at a reasonable and expected pace.

The Group has strengthened its effort on marketing and advertising the new products during the period under review. New equipment has been purchased for development and production of reactors. Samples have been sent to interested customers for testing. Follow up actions have been taken and dealt with by the in-house development engineers of the Group for improvement and enhancement purposes.

Financial Review

The Group's revenue decreased by approximately HK\$38 million, or 28.7%, from approximately HK\$132.3 million for the nine months ended 30 September 2015 to HK\$94.3 million for the nine months ended 30 September 2016. Such decrease was primarily due to the global economic slowdown which caused existing customers very cautious and conservative in placing their orders from the Group. Customers tended to defer their orders and purchased lesser amount each time due to their business slowdown amid the uncertain economic environment. Despite the fact of economic slowdown, the Group has not experienced any loss of existing customers during the period under review. Cost of sales decreased by approximately HK\$29.8 million, or 28.4%, from approximately HK\$104.8 million for the nine months ended 30 September 2015 to approximately HK\$75.0 million for the nine months ended 30 September 2016. Such decrease was mainly attributable to the decline in sales revenue and the continuous devaluation of Renminbi, the lawful currency of PRC, which caused saving in the Group's production cost. In addition, the global fall in price of copper, which is one of the major raw materials for production of the Group's transformers and power supply switching modes, also contributed to the reduction in cost of sales. As a result of decrease in sales, the Group's gross profit decrease by approximately HK\$8.2 million, or 29.8%, from approximately HK\$27.5 million for the nine months ended 30 September 2015 to approximately HK\$19.3 million for the nine months ended 30 September 2016. Despite the economic slowdown, the Group still be able to keep the same profit margin of 20% as compared to the same period last year. Such effort was mainly attributable to the reduction in production cost, especially saving in the cost of raw materials because of falling in copper price and the Group's strategy to stand firm in its selling prices despite the economic slowdown as well as the devaluation of Renminbi against the Group's functional and reporting currencies during the period under review.

Other income increased by approximately HK\$0.5 million or 100% from approximately HK\$0.5 million for the nine months ended 30 September 2015 to approximately HK\$1.0 million for the nine months ended 30 September 2016. Such increase was mainly due to the compensation of approximately HK\$0.3 million received from a transportation company for loss of the Group's merchandise during transit and the incentive of approximately HK\$0.2 million received from He Yuan municipal authority for recognised achievements in development and production of the Group's new products in the city of He Yuan.

Other gains and losses increased by approximately HK\$0.5 million or 250% from approximately losses of HK\$0.2 million for the nine months ended 30 September 2015 to approximately gains of HK\$0.3 million for the nine months ended 30 September 2016. Such increase in gains was mainly attributable to the gain in foreign exchange from the Group's operating activities in PRC as a result of devaluation of Renminbi.

Selling and distribution expenses increased by approximately HK\$0.2 million or 5.7%, from approximately HK\$3.5 million for the nine months ended 30 September 2015 to approximately HK\$3.7 million for the nine months ended 30 September 2016. Such increase was mainly due to the increase in advertising expenses on promoting new products, increase in sample expenses for newly developed products and increase in transportation and packaging charges on goods delivery.

Administrative expenses increased by approximately HK\$1.0 million or 6.8% from approximately HK\$14.6 million for the nine months ended 30 September 2015 to approximately HK\$15.6 million for the nine months ended 30 September 2016. Such increase was mainly due to the increase in research and development expenses on new products development and the increase in payment of professional fees and hiring of senior staff after listing of the Company's shares on the Stock Exchange.

Other expenses decreased by approximately HK\$4.7 million or 59.5% from approximately HK\$7.9 million for the nine months ended 30 September 2015 to approximately HK\$3.2 million for the nine months ended 30 September 2016. Such decrease was due to the reason that a large proportion of the listing expenses were paid by the Group in prior years, especially in year 2015, leaving the balance of HK\$3.2 million paid in the first quarter of this year.

Finance costs decreased by HK\$0.4 million or 30.8% from approximately HK\$1.3 million for the nine months ended 30 September 2015 to approximately HK\$0.9 million for the nine months ended 30 September 2016. Such decrease was mainly due to the decrease in bank borrowings and factoring services as a result of ability in maintaining a healthy liquidity position after listing of the Company's shares on the Stock Exchange.

Income tax expenses decreased by HK\$0.8 million or 44.4% from approximately HK\$1.8 million for the nine months ended 30 September 2015 to approximately HK\$1.0 million for the nine months ended 30 September 2016. Such decrease was mainly due to the reduction of income tax paid and payable as a result of decrease in the Group's assessable profit for the nine months ended 30 September 2016 as compared with the corresponding period last year.

As a result of the above, the Group recorded a loss of approximately HK\$3.8 million for the nine months ended 30 September 2016 (nine months ended 30 September 2015: loss of approximately HK\$ 1.4 million).

Prospect

Looking forward, the Directors' expect the markets for transformers and power supply switching mode products to remain stable despite the uncertain economic environment. Apart from promoting the existing products, the Group will continue to development and launch the planned new transformers, power supply switching mode products and

reactors. Effort will be placed in securing more customers through participating in trade fairs, improving and enhancing the products through analysis of customers' feedbacks and requests. Besides, the Group will also upgrade its production capability and solidify relationship with existing customers. The Group aims to strengthen its competitiveness in the market so as to generate sustainable returns and maximize shareholders' return.

Use of proceeds

As disclosed in the Company's Prospectus dated 17 February 2016 (the "**Prospectus**") and the interim report dated 8 August 2016, the actual net proceeds received by the Company were approximately HK\$14.8 million. 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. Since the listing of the Company on 24 February 2016, 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 the date of this announcement, the Group utilized approximately HK\$2.3 million in development and launch of new products, approximately HK\$0.3 million in solidification of customer relationship and widening of customers base and promotion of existing products and approximately HK\$0.1 million in improvement of production technology and efficiency. The unused net proceeds have been placed as interest bearing deposits into licensed banks in Hong Kong.

OTHER INFORMATION

DIVIDENDS

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2016 (for the nine months ended 30 September 2015: nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the period from the listing of the Company's shares on the GEM of the Stock Exchange on 24 February 2016 (the "**Listing Date**") to 30 September 2016, 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.

SHARE OPTION SCHEME

The share option scheme of the Company (the "**Share Option Scheme**") was adopted under the written resolutions of the shareholders of the Company passed on 2 February 2016. No share options were granted, exercised or cancelled by the Company under the Share Option Scheme during the period from the Listing Date to 30 September 2016 and there were no outstanding share options under the Share Option Scheme as at 30 September 2016 and up to the date of this announcement.

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 period from the Listing Date to 30 September 2016.

DEED OF NON-COMPETITION

A deed of non-competition (the “**Deed of Non-competition**”) dated 2 February 2016 was entered into by Cyber Goodie Limited, a limited liability company incorporated in the British Virgin Islands, and Mr. Chung Chi Hang, Larry in favour of the Company (for the Company and for the benefit of its subsidiaries) regarding non-competition undertakings. The details of the Deed of Non-competition have been disclosed in the Prospectus under the section headed “Relationship with our Controlling Shareholders” and the non-competition undertaking has become effective from the Listing Date.

COMPETITION AND CONFLICT OF INTERESTS

As far as the Directors are aware of, none of the Directors nor the controlling shareholders nor any of their respective associates (as defined in the GEM Listing Rules) had any business or interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group or had any other conflict of interests with the Group during the nine months ended 30 September 2016.

DIRECTORS’ RIGHT TO ACQUIRE SHARES

Save as disclosed in this announcement, at no time during the period from the Listing Date to 30 September 2016 was the Company, or any of its holding companies, its subsidiaries or its fellow subsidiaries a party to any arrangement to enable the Directors and chief executive of the Company (including their spouses and children under 18 years of age) to hold any interest or short positions in the shares, or underlying shares, or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO).

INTERESTS OF COMPLIANCE ADVISER

As notified by the Company’s compliance adviser, LY Capital Limited (“**LY Capital**”), neither LY Capital nor any of its directors or employees or close associates had any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) or otherwise in relation to the Company which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules (except for the compliance adviser agreement entered into between the Company and LY Capital in 17 March 2015) as at 30 September 2016.

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 Audit Committee currently comprises three independent non-executive Directors, namely Mr. Wong Choi Chak, Mr. Li Chung Pong, Stephen and Mr. Tang Sze Wo. Mr. Wong Choi Chak is the chairman of the Audit Committee. The Audit Committee has reviewed the unaudited condensed consolidated financial results of the Group for the nine months ended 30 September 2016.

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 15 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.

The Directors consider that during the period from the Listing Date and up to 30 September 2016, the Company has complied with the CG Code.

PUBLICATION OF THIRD QUARTERLY RESULTS AND THIRD QUARTERLY 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.keenocan.com.hk). The third quarterly report of the Company for the nine months ended 30 September 2016 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, 7 November 2016

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. Tang Sze Wo.

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.keenocan.com.hk.