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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)

FIRST QUARTERLY RESULTS ANNOUNCEMENT
FOR THE THREE MONTHS ENDED 31 MARCH 2021

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

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

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

*This announcement, for which the directors (the “**Directors**”) of Keen Ocean International Holding Limited (the “**Company**” or “**our**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company and its subsidiaries (collectively refer to as the “**Group**”). 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.*

FIRST QUARTERLY FINANCIAL RESULTS

The board of Directors (the “**Board**”) is pleased to announce the unaudited condensed consolidated results of the Group for the three months ended 31 March 2021, together with the comparative figures for the corresponding period in 2020 as follows:

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

For the three months ended 31 March 2021

		For the three months ended 31 March	
		2021	2020
		HK\$'000	HK\$'000
	Notes	(Unaudited)	(Unaudited)
Revenue	3	57,542	24,956
Cost of sales		(46,073)	(21,252)
Gross profits		11,469	3,704
Other income	4	407	24
Other gains and losses		61	146
Selling and distribution expenses		(1,951)	(1,397)
Administrative expenses		(5,128)	(4,416)
Finance costs	5	(429)	(391)
Profit/(Loss) before tax	6	4,429	(2,330)
Income tax expenses	7	–	–
Profit/(Loss) for the period		4,429	(2,330)
Other comprehensive (expenses)/income after tax:			
<i>Items that may be reclassified to (Loss)/profit</i>			
Exchange differences on translating foreign operations		(4)	(14)
Total comprehensive income/(expenses) for the period		4,425	(2,344)
Profit/(Loss) for the period attributable to:			
Equity holders of the Company		4,429	(2,329)
Non-controlling interests		–	(1)
		4,429	(2,330)
Total comprehensive income/(expenses) for the period attributable to:			
Equity holders of the Company		4,429	(2,330)
Non-controlling interests		–	(1)
		4,429	(2,329)
Earning/(Loss) per share			
Basic (HK cents)	9	2.21	(1.17)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2021

	Attributable to owners of the Company					Non- controlling Interest	Total equity	
	Share capital	Share premium	Special reserve	Retained profits	Translation reserve			Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
At 1 January 2020 (Audited)	2,000	24,973	3,000	21,636	479	52,088	13	52,101
Loss and total comprehensive expense for the period	-	-	-	(2,329)	(14)	(2,343)	(1)	(2,344)
At 31 March 2020 (Unaudited)	<u>2,000</u>	<u>24,973</u>	<u>3,000</u>	<u>19,307</u>	<u>465</u>	<u>49,745</u>	<u>12</u>	<u>49,757</u>
At 1 January 2021 (Audited)	2,000	24,973	3,000	22,838	3,121	55,932	6	55,938
Profit and total comprehensive income for the period	-	-	-	4,429	(4)	4,425	-	4,425
At 31 March 2021 (Unaudited)	<u>2,000</u>	<u>24,973</u>	<u>3,000</u>	<u>27,267</u>	<u>3,117</u>	<u>60,357</u>	<u>6</u>	<u>60,363</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2021

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 GEM of the Stock Exchange.

The Company is an investment holding company. The principal activities of the Group are the manufacture and trading of transformers, switching mode power supply, electronic parts and other components, and electric healthcare products.

As at 31 March 2021, Cyber Goodie Limited (“**Cyber Goodie**”), a company incorporated in the British Virgin Islands (the “**BVI**”), is the immediate holding company of the Company and Mr. Chung Chi Hang Larry is the ultimate controlling party of the Company.

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 consider that it is easier to monitor the financial performance of the Group.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements of the Group for the three months ended 31 March 2021 and 31 March 2020 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 disclosures required by the GEM Listing Rules.

The basis of preparation and principal 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 2020, except for the adoption of the new and revised HKFRSs that have become effective for its accounting period beginning on 1 January 2021.

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 and not been reviewed by the Company's auditor. Adjustments may be identified during the course of annual audit to be performed by the Company's auditor.

3. REVENUE AND SEGMENTAL INFORMATION

The Group's operation is solely derived from the manufacture and sale of transformers, switching mode power supply, electronic parts and components, and electric healthcare products during the reporting periods. 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 the accounting policies. 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	
	31 March	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Sales of transformers	26,779	14,076
Sales of switching mode power supply	1,145	277
Sales of electronic parts and components	29,536	10,276
Sales of electric healthcare products	82	327
	57,542	24,956

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		Non-current assets	
	For the three months ended		For the three months ended	
	31 March		31 March	
	2021	2020	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Hong Kong	2,806	2,717	569	1,112
PRC	10,732	8,586	15,080	11,525
Europe	12,524	6,285	–	–
United States	7,800	1,596	–	–
Others	23,680	5,772	–	–
	57,542	24,956	15,649	12,637

4. OTHER INCOME

	For the three months ended 31 March	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Bank interest income	2	24
Government incentive	405	0
	<u>407</u>	<u>24</u>
	<u><u>407</u></u>	<u><u>24</u></u>

5. FINANCE COSTS

	For the three months ended 31 March	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Leases interests (HKFRSs Leases 16)	63	26
Interest on bank borrowings	366	365
	<u>429</u>	<u>391</u>
	<u><u>429</u></u>	<u><u>391</u></u>

6. PROFIT/(LOSS) BEFORE TAX

	For the three months ended 31 March	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit/(loss) before tax has been arrived at after charging:		
Auditor's remuneration	123	138
Depreciation of plant and equipment	507	496
Depreciation of right-of-use asset (HKFRSs 16 Leases)	505	497
Cost of inventories sold	34,562	18,014
Research and development expenses	828	525
Directors' emoluments		
– Salaries and other benefits	365	340
– Retired benefit contributions	12	12
	<u>377</u>	<u>352</u>
Staff salaries and other benefits	2,811	2,284
Staff retirement benefit contributions	217	245
	<u>3,028</u>	<u>2,529</u>
	<u><u>3,028</u></u>	<u><u>2,529</u></u>
Total staff costs (including directors' emoluments)	<u><u>3,405</u></u>	<u><u>2,881</u></u>

7. INCOME TAX EXPENSES

	For the three months ended	
	31 March	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax:		
Hong Kong Profits Tax	–	–
PRC Enterprise Income Tax	–	–
	<u>–</u>	<u>–</u>
	<u>–</u>	<u>–</u>

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

Provision of PRC Enterprise Income tax 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% for both periods.

As at 31 March 2021, the Group has unused tax losses of approximately HK\$2,666,000. No deferred tax asset has been recognised due to the unpredictability of future profit streams. The losses will expire in 2021 to 2023.

8. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2021 (for the three months ended 31 March 2020: nil).

9. EARNING/(LOSS) PER SHARE

The calculation of the basic earning/(loss) per share attributable to the owners of the company is based on the following:

	For the three months ended	
	31 March	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Earning/(Loss):		
Profit/(Loss) for the purpose of basic earning/(loss) per share	<u>2.21</u>	<u>(1.17)</u>
	'000	'000
Numbers of shares:		
Weighted average number of ordinary shares for the purpose of basic earning/(loss) per share	<u>200,000</u>	<u>200,000</u>

No diluted earning/(loss) per share for the three months ended 31 March 2021 and for the three months ended 31 March 2020 was presented as there were no 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 transformers, switching mode power supplies, electric healthcare products, as well as other electronic parts and components. The Group sells its products domestically as well as overseas. Customers are mainly manufacturers and trading entities.

Most of the transformers and power supply products were manufactured and sold under the Group's branch name called "Keen Ocean" while all electronic parts and components as well as electric healthcare products were sold on an original equipment manufacturer (OEM) basis. Among the products manufactured and sold, the transformers remained the Group's flagship products and represented approximately 46.5% of the Group's sales for the three months ended 31 March 2021 (for the three months ended 31 March 2020: approximately 56.4%). The switching mode power supply represented approximately 2.0% of the Group's sales for the three months ended 31 March 2021 (for the three months ended 31 March 2020: approximately 1.1%). The electronic parts and components represented approximately 51.3% of the Group's sales for the three months ended 31 March 2021 (for the three months ended 31 March 2020: approximately 41.2%). The healthcare products accounted for approximately 0.1% of the Group's sales for the three months ended 31 March 2021 (for the three months ended 31 March 2020: 1.3%).

Revenue generated by the Group doubled during the period under review as compared to the corresponding period in last year. In 2020, the outbreak of COVID-19 and the corresponding measures implemented by countries across the world including suspension of business activities led to the slowdown of purchase orders and the postponement of shipment and/or delivery schedule of the goods ordered. With a low comparison base and the resumption of postponed shipment and/or delivery schedule of goods, the Group recorded a sharp year-on-year growth. Further to that, an existing customer of the Company that engaged in the production of components for clean energy appliances, had increased the placement of purchase orders for electronic parts and components during the period under review to meet the recent surge in demand of clean energy appliances.

The Group's manufacturing process mainly involved copper and steel. The management of the Group observed the average copper price had been surging and hence strived to improve the efficiency of production in order to reduce production waste and the overall costs of production.

The operating margin was improved during the period under review. It was mainly attributable to the lower marginal costs amid higher production scale. The Group also streamlined manufacturing processes and optimized quality control, and hence enhanced overall productivity. Besides, the Group was supported by government subsidies as assistance and support to the manufacturing sector in fighting through the hard economic times after the outbreak of COVID-19.

During the period under review, the management of the Group stayed connected with the existing customers and closely followed up with the revised delivery schedule in order to maintain and solidify business relationships. The Group continued to place advertisements in renowned industrial magazines. However, due to the travel restrictions and the mandatory quarantine measures in response to COVID-19, the Group was not able to promote its products through traditional exhibitions and physical marketing events.

The Group has been paying close attention to the development of the pandemic. The Group has deployed appropriate preventive measures to enhance the vigilance and self-protection awareness of its employees, and to protect them by provision of healthy and hygienic working environment.

FINANCIAL REVIEW

The Group's revenue increased by approximately HK\$32.6 million, or 130.6%, from approximately HK\$25.0 million for the three months ended 31 March 2020 to approximately HK\$57.5 million for the three months ended 31 March 2021. Such increase was primarily due to the resumption of shipment and/or delivery schedule of goods which had initially been postponed due to the outbreak of COVID-19, and the increase in the placement of purchase orders for electronic parts and components from an existing customer, which engaged in the production of components for clean energy appliances.

Cost of sales increased by approximately HK\$24.8 million, or 116.8%, from approximately HK\$21.3 million for the three months ended 31 March 2020 to approximately HK\$46.1 million for the three months ended 31 March 2021. Such increase was primarily due to the increased revenue led by the recovery of purchase orders and the resumption of shipment and/or delivery schedule and the soaring of the raw material prices amid quantitative easing around the world. As a result, the Group's gross profit increased by approximately HK\$7.8 million, or 209.6%, from approximately HK\$3.7 million for the three months ended 31 March 2020 to approximately HK\$11.5 million for the three months ended 31 March 2021. Gross profit margin increased from 14.8% for the three months ended 31 March 2020 to 19.9% for the three months ended 31 March 2021. Such increase was attributable to the effort of the management in improving the efficiency of production in order to reduce labour costs and production waste and hence the overall costs of production.

Other income increased by approximately HK\$383,000, or 1,608.6%, from approximately HK\$24,000 for the three months ended 31 March 2020 to approximately HK\$407,000 for the three months ended 31 March 2021. Such increase was mainly due to increase in government incentives. The Group received a package of subsidiary of approximately HK\$400,000 under the Anti-epidemic Fund set up by The Government of the Hong Kong Special Administrative Region.

Other gains decreased by approximately HK\$85,000, or 58.2%, from approximately HK\$146,000 for the three months ended 31 March 2020 to approximately HK\$61,000 for the three months ended 31 March 2021. Such decrease was mainly attributable to the foreign exchange losses during intra-group transfer between mainland China and Hong Kong, in relation to the depreciation of US dollars during the period under review.

Selling and distribution expenses increased by approximately HK\$0.55 million, or 39.6%, from approximately HK\$1.4 million for the three months ended 31 March 2020 to approximately HK\$2.0 million for the three months ended 31 March 2021. Such increase was mainly attributable to the higher transportation costs caused by the increased turnover. But since the fixed distribution overhead did not vary as the result of higher turnover, the average costs of distribution including shipping and handling charges reduced amid the resumption of shipment and/or delivery schedule of goods.

Administrative expenses increased by approximately HK\$0.71 million, or 16.1%, from approximately HK\$4.4 million for the three months ended 31 March 2020 to approximately HK\$5.1 million for the three months ended 31 March 2021. Such increase was mainly attributable to higher expenses in staff costs, travelling and electricity during the gradual resumption of shipment and/or delivery schedule of goods. On the other hand, the Group recorded higher social security contributions as compared to the same period in 2020 as the base of contributions which was initially adjusted by the government in easing the burden of manufacturers returned to the normal level.

Finance costs increased by approximately HK\$38,000, or 9.7%, from approximately HK\$391,000 for the three months ended 31 March 2020 to approximately HK\$429,000 for the three months ended 31 March 2021. Such increase was mainly attributable to the accounting recognition on leases interests expenses during the period.

No income tax expenses were recorded for the three months ended 31 March 2021 and for the three months ended 31 March 2020. Such results were mainly attributable to no provision for profits tax being made since the Group had sufficient tax losses brought forward to set off against its assessable profits for the three months ended 31 March 2021, and no assessable profit for the three months ended 31 March 2020.

As a result of the above, the Group recorded a profit of approximately HK\$4.4 million for the three months ended 31 March 2021 (for the three months ended 31 March 2020: loss of approximately HK\$2.3 million).

PROSPECT

The spread of COVID-19 has triggered huge economic uncertainties and disruption to production and supply chains around the world. The Group had experienced business challenges including volatile demand patterns, inconsistent shipment timeline as well as inflated delivery costs.

Despite during the most recent quarter, the global economic output demonstrated slight recovery especially against the low base of comparison in the corresponding period in 2020, the management of the Group remains conservative and expects the economy may remain below pre-pandemic trends for a prolonged period. On the other hand, the management of the Group also anticipates that the extensive wave of global debt accumulation shall likely set off the appreciation of material costs and hence increase the cost burden to the Group's production lines.

The management of the Group is determined to rise to these challenges. The production team maintains sufficient inventory buffer in cope with the demand and supply chain uncertainties. The management also strives to sustain the Group's competitive advantages through solidifying business relationships.

In addition, the management spotted a rising demand of clean energy appliances as the global policies leaned more towards renewability and sustainability. The Company carries out research on relevant products and actively explores the potential market through different marketing channels. Besides, after continuous delivery of products with satisfactory quality control, the Group records increasing orders from the newly developed customer base. With extended effort in business development, the management is confident that the Group can accelerate business growth once the market demand starts to revive.

In the meantime, the Group pays careful attention to the development of the pandemic and accordingly evaluates the impact on the financial position and performance. Also, the management of the Group monitors any changes to regulations and instructions in compliance with industrial safety and public health policies; and deploys appropriate preventive measures to enhance protection of Group's employees by providing healthy and hygienic environment both in the office and at the sites.

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

OTHER INFORMATION

DIVIDENDS

The Board does not recommend any dividend for the three months ended 31 March 2021 (for the three months ended 31 March 2020: nil).

SHARE OPTION SCHEME

The Company has a share option scheme which was approved and adopted by the shareholders of the Company by way of the written resolutions passed on 2 February 2016 (the “**Share Option Scheme**”). No share options were granted, exercised or cancelled by the Company under the Share Option Scheme during the period from 1 January 2021 to 31 March 2021 and there were no outstanding share options under the Share Option Scheme as at 31 March 2021 and up to the date of this announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the period from 1 January 2021 to 31 March 2021, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities.

EVENTS AFTER THE 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.

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 “**Code of Conduct**”). Having made specific enquiry of all the Directors, all of them confirmed that they had fully complied with the required standard of dealings as set out in the Code Conduct during the period from 1 January 2021 to 31 March 2021.

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 of the company dated 17 February 2016 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 three months ended 31 March 2021.

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. Cheung Yee Tak, Jonathan, Mr. Li Chung Pong, Stephen and Mr. Lam Chon Loi. Mr. Cheung Yee Tak, Jonathan is the chairman of the Audit Committee. The Audit Committee has reviewed the unaudited condensed consolidated financial results of the Group for the three months ended 31 March 2021. There is no disagreement by the Audit Committee with the accounting treatment adopted by the Company.

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.

During the period from 1 January 2021 to 31 March 2021 and up to the date of this announcement, the Company has complied with the CG Code.

PUBLICATION OF FIRST QUARTERLY RESULTS AND FIRST 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 unaudited first quarterly report of the Company for the three months ended 31 March 2021 containing all the information required by the GEM Listing Rules will be dispatched to the Company's shareholders and published on the above websites in due course.

By Order of the Board
Keen Ocean International Holding Limited
Chung Chi Hang, Larry
Chairman

Hong Kong, 10 May 2021

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

This announcement will remain on the "Latest Listed Company Information" page 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.