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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 2022

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, 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 or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

THIRD QUARTERLY FINANCIAL RESULTS

The board of Directors (the “**Board**”) hereby announces the unaudited condensed consolidated results of the Group for the three months and nine months ended 30 September 2022, together with the comparative figures for the corresponding periods in 2021 as follows:

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

For the three months and nine months ended 30 September 2022

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Revenue	3	101,944	63,968	260,870	180,155
Cost of sales		(87,003)	(54,885)	(225,611)	(149,941)
Gross profit		14,941	9,083	35,259	30,214
Other income	4	844	13	1,475	640
Other gains		866	(41)	1,884	52
Selling and distribution expenses		(2,567)	(2,182)	(6,359)	(6,037)
Administrative expenses		(7,061)	(5,136)	(18,043)	(14,887)
Finance costs	5	(766)	(553)	(2,007)	(1,428)
Profits before tax	6	6,257	1,184	12,209	8,554
Income tax expense	7	(1,927)	–	(3,165)	–
Profits for the period		4,330	1,184	9,044	8,554
Other comprehensive expenses after tax:					
<i>Items that may be reclassified to (loss) or profit:</i>					
Exchange differences on translating foreign operations		–	(227)	(2,431)	245
Total comprehensive income for the period		4,330	957	6,613	8,799
Profits for the period attributable to:					
Equity holders of the Company		4,330	1,184	9,044	8,554
Non-controlling interests		(2)	–	(2)	–
		4,328	1,184	9,042	8,554
Total comprehensive income for the period attributable to:					
Equity holders of the Company		4,330	957	6,613	8,799
Non-controlling interests		(2)	–	(2)	–
		4,328	957	6,611	8,799
Earnings per share	9				
Basic and diluted (HK cents)		2.17	0.59	4.52	4.28

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2022

	Attributable to owners of the Company						Non-controlling interests	Total equity
	Share capital	Share Premium	Special reserve	Retained profits	Translation reserve	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2021 (audited)	2,000	24,973	3,000	22,838	3,121	55,932	6	55,938
Profit/(Loss) and total comprehensive expense for the period (unaudited)	–	–	–	8,554	245	8,799	–	8,799
At 30 September 2021 (unaudited)	<u>2,000</u>	<u>24,973</u>	<u>3,000</u>	<u>31,392</u>	<u>3,366</u>	<u>64,731</u>	<u>6</u>	<u>64,737</u>
At 1 January 2022 (audited)	2,000	24,973	3,000	35,071	4,514	69,558	(7)	69,551
Profit/(Loss) and total comprehensive expense for the period (unaudited)	–	–	–	9,044	(2,431)	6,613	(2)	6,611
At 30 September 2022 (unaudited)	<u>2,000</u>	<u>24,973</u>	<u>3,000</u>	<u>44,115</u>	<u>2,083</u>	<u>76,171</u>	<u>(9)</u>	<u>76,162</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2022

1. GENERAL INFORMATION

The Company was incorporated and registered as an exempted company 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 30 September 2022, 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 nine months ended 30 September 2022 and 30 September 2021 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.

In the current period, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2021. HKFRSs comprise Hong Kong Financial Reporting Standards; 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 period and prior year.

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.

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 resource allocation and performance assessment, the chief operating decision maker (i.e. the chief executive officer of the Company) reviewed the overall results and financial position of the Group as a whole which are prepared based on the same accounting policies as those adopted in the financial statements for the year ended 31 December 2021. 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	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Sales of transformers	66,304	35,633	144,728	93,160
Sales of switching mode power supply	1,082	902	2,451	2,979
Sales of electronic parts and components	33,612	27,185	112,548	83,685
Sales of electric healthcare products	946	248	1,143	331
Revenue from contracts with customers	<u>101,944</u>	<u>63,968</u>	<u>260,870</u>	<u>180,155</u>

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 external customer				Non-current assets	
	For the three months ended 30 September		For the nine months ended 30 September		For the nine months period ended	For the twelve months year ended
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	30 September 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Hong Kong	9,942	3,721	19,319	8,550	688	1,071
PRC	14,662	14,448	38,509	40,149	15,250	15,452
Europe	9,931	12,411	33,375	36,469	-	-
United States	7,286	10,472	24,371	25,025	-	-
India	39,774	11,468	73,772	30,979	-	-
Others	20,349	11,448	71,524	38,983	-	-
	<u>101,944</u>	<u>63,968</u>	<u>260,870</u>	<u>180,155</u>	<u>15,938</u>	<u>16,523</u>

All timing of revenue is at a point in time for the nine months ended 30 September 2022 and 2021.

4. OTHER INCOME

	For the three months ended 30 September		For the nine months ended 30 September	
	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Unaudited)	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Unaudited)
Bank interest	4	3	12	6
Government incentive	166	9	383	446
Sales of scrap materials	–	1	319	188
Profit/(Loss) on deregistration of a subsidiary	–	–	87	–
Profit/(Loss) on disposal of property, plant and equipment	149	–	149	–
Profit/(Loss) on investment income	525	–	525	–
	<u>844</u>	<u>13</u>	<u>1,475</u>	<u>640</u>

5. FINANCE COSTS

	For the three months ended 30 September		For the nine months ended 30 September	
	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Unaudited)	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Unaudited)
Lease interest	36	52	128	173
Interest on bank borrowings	730	501	1,879	1,255
	<u>766</u>	<u>553</u>	<u>2,007</u>	<u>1,428</u>

6. PROFITS BEFORE TAX

	For the three months ended 30 September		For the nine months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Profits before tax has been arrived at after charging:				
Auditor's remuneration	111	110	384	380
Cost of inventories sold	87,003	54,885	225,611	149,941
Depreciation of plant and equipment	605	591	1,645	1,427
Depreciation of right of use asset	513	505	1,539	1,514
Research and development expenses	2,266	864	3,903	2,354
Directors' emoluments				
– Salaries and other benefits	399	341	1,139	1,023
– Retired benefit contributions	12	12	35	35
	<u>411</u>	<u>353</u>	<u>1,174</u>	<u>1,058</u>
Staff salaries and other benefits	9,962	9,448	28,966	26,574
Staff retirement benefit contributions	2,282	1,274	4,816	3,158
	<u>12,244</u>	<u>10,722</u>	<u>33,782</u>	<u>29,732</u>
Total staff costs (including directors' emoluments)	<u>12,655</u>	<u>11,075</u>	<u>34,956</u>	<u>30,790</u>

7. INCOME TAX EXPENSES

	For the three months ended 30 September		For the nine months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Current tax:				
Hong Kong Profits Tax	991	–	1,830	–
PRC Enterprise Income Tax	936	–	1,335	–
	<u>1,927</u>	<u>–</u>	<u>3,165</u>	<u>–</u>

Hong Kong Profits Tax has been provided at the rate of 8.25% on assessable profits up to HK\$2,000,000 and 16.5% on any part of assessable profits over HK\$2,000,000 for the nine months ended 30 September 2022. No provision for Hong Kong profit has been made in financial statement since the Group has sufficient tax losses brought forward to set off against current year's assessable profit for nine months ended 30 September 2021.

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 subsidiaries is 25% for the nine months ended 30 September 2022. No provision for PRC Enterprise Income Tax has been made in the financial statement since the Group has sufficient tax losses brought forward to set off against assessable profit for the nine months ended 30 September 2021.

8. DIVIDENDS

No dividend was paid, declared or proposed for the nine months ended 30 September 2022 (2021: nil).

9. EARNINGS PER SHARE

Basis earnings per share is calculated by dividing the earnings attributable to shareholders of the Company by the weighted average number of ordinary shares in issue for the nine months ended 30 September 2022 and 2021.

	For the three months ended 30 September		For the nine months ended 30 September	
	2022 (Unaudited)	2021 (Unaudited)	2022 (Unaudited)	2021 (Unaudited)
Earnings for the period attributable to owners of the Company (HK\$'000)	<u>4,330</u>	<u>1,184</u>	<u>9,044</u>	<u>8,554</u>
Number of shares: Weighted average number of ordinary shares for the purpose of basic and diluted loss per share (<i>Note</i>)	<u>200,000,000</u>	<u>200,000,000</u>	<u>200,000,000</u>	<u>200,000,000</u>

Note:

The weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share for the nine months ended 30 September 2022 and 2021 has been determined on the assumption that the capitalisation issue had been effective on 1 January 2015.

No diluted earnings per share is presented for the nine months ended 30 September 2022 and 2021 since there are no potential diluted ordinary shares in issue during both periods.

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, and 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 brand 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, transformers remained the Group's flagship products and represented approximately 55.48% of the Group's sales for the nine months ended 30 September 2022 (for the nine months ended 30 September 2021: approximately 51.71%). The switching mode power supply represented approximately 0.94% of the Group's sales for the nine months ended 30 September 2022 (for the nine months ended 30 September 2021: approximately 1.65%). The electronic parts and components represented approximately 43.14% of the Group's sales for the nine months ended 30 September 2022 (for the nine months ended 30 September 2021: approximately 46.45%). The electric healthcare products accounted for approximately 0.44% of the Group's sales for the nine months ended 30 September 2022 (for the nine months ended 30 September 2021: approximately 0.19%).

Revenue generated by the Group increased during the period under review as compared to the corresponding period in 2021. This was mainly due to the increase in purchase orders for transformers, and electronic parts and components from several existing customers during the period under review to meet the continuing surge in demand of clean energy appliances and the increase in sales price to reflect the increase in costs of raw materials.

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 has declined during the period under review as compared to the corresponding period in 2021. This was mainly attributable to the increase in costs of raw materials and the production costs during the period under review.

During the period under review, the management of the Group stayed connected with existing customers and closely followed up on the revised delivery schedule in order to maintain and solidify business relationships. The Group continued to place advertisements in renowned industrial magazines. The Company took the opportunity of the recovery of manufacturing sector and was able to resume the postponed shipment and/or delivery schedule of goods during the period under review. However, due to the travel restrictions and the mandatory quarantine measures in response to COVID-19 pandemic, 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 providing a healthy and hygienic working environment.

FINANCIAL REVIEW

The Group's revenue increased by approximately HK\$80.71 million, or 44.80%, from approximately HK\$180.16 million for the nine months ended 30 September 2021 to approximately HK\$260.87 million for the nine months ended 30 September 2022. Such increase was primarily due to increase in the placement of purchase orders for transformers, and electronic parts and components from existing customers, which engaged in the production of components for clean energy appliances.

Cost of sales increased by approximately HK\$75.67 million, or 50.47%, from approximately HK\$149.94 million for the nine months ended 30 September 2021 to approximately HK\$225.61 million for the nine months ended 30 September 2022. The increase was in line with the increase in revenue and was primarily due to the increase in the costs of raw materials and production costs during the period under review.

The Group's gross profit increased by approximately HK\$5.05 million, or 16.70%, from approximately HK\$30.21 million for the nine months ended 30 September 2021 to approximately HK\$35.26 million for the nine months ended 30 September 2022. Gross profit margin decreased from 16.77% for the nine months ended 30 September 2021 to 13.52% for the nine months ended 30 September 2022. Such decrease was mainly attributable to the increase in the costs of raw materials and production costs during the period under review.

Other income increased by approximately HK\$0.83 million, or 130.17%, from approximately HK\$0.64 million for the nine months ended 30 September 2021 to approximately HK\$1.47 million for the nine months ended 30 September 2022. Such increase was mainly due to the gain on disposal of motor vehicle and investment income.

Other gains increased by approximately HK\$1.83 million, or 3,524.97%, from approximately HK\$0.05 million for the nine months ended 30 September 2021 to approximately HK\$1.88 million for the nine months ended 30 September 2022. Such increase was mainly attributable to the appreciation of United States Dollar against Renminbi during the period under review resulting in gains on transfer of intercompany funds for balances denominated in Renminbi.

Selling and distribution expenses increased by approximately HK\$0.32 million, or 5.33%, from approximately HK\$6.04 million for the nine months ended 30 September 2021 to approximately HK\$6.36 million for the nine months ended 30 September 2022. Such increase was mainly attributable to the increase in expenses as a result of the corresponding increase in revenue during the period under review. The Group has continued efforts to offset increased transport and freight costs by recharge to customers for low volume shipments.

Administrative expenses increased by approximately HK\$3.16 million, or 21.19%, from approximately HK\$14.89 million for the nine months ended 30 September 2021 to approximately HK\$18.04 million for the nine months ended 30 September 2022. Such increase was mainly attributable to the higher staff costs and related expenses in line with the increase in revenue during the period under review.

Finance costs increased by approximately HK\$0.58 million, or 40.57%, from approximately HK\$1.43 million for the nine months ended 30 September 2021 to approximately HK\$2.01 million for the nine months ended 30 September 2022. Such increase was mainly attributable to increase of interest rates during the period under review.

A provision for income tax expenses of approximately HK\$3.16 million was recorded for the nine months ended 30 September 2022 against no provision for tax expenses for the nine months ended 30 September 2021. Such results were mainly attributable to a provision for profits tax being made since the Group has no tax losses brought forward to set off against its assessable profits for the period under review.

As a result of the above, the Group recorded a profit of approximately HK\$9.04 million for the nine months ended 30 September 2022 (for the nine months ended 30 September 2021: approximately HK\$8.55 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.

The management of the Group is determined to rise to these challenges. The production team maintains sufficient inventory buffer to cope with the demand and supply chain uncertainties. The management also strives to sustain the Group's competitive advantages through solidifying business relationships. Further, the Board has adopted a new set of hedging policy regarding dealings in copper option contracts for better control on the material costs of the Group.

In addition, the management spotted a rising demand of clean energy appliances, particularly the electronic parts and components of the Group, as the global policies leaned more towards renewability and sustainability. Besides, after continuous delivery of products with satisfactory quality control and the strong demographics and growing consumption, the Group recorded increasing orders from the developed customer base. Furthermore, in order to meet the changing demands and expectations from our customers, the resources used in electric healthcare products be reallocated to other products in our Group. With the increased production capacity during the period under review to cope with the increasing demand from the customers, the management is optimistic about the market and confident that the Group can continue to accelerate business growth.

In the meantime, the Group pays careful attention to the development of the pandemic and accordingly evaluates the impact on its 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 the Group's employees by providing healthy and hygienic environment both in the office and at the sites.

The Group's management is aware of and is closely monitoring the development of the Russia-Ukraine conflict and accordingly evaluates any possible impact to its financial position and performance. The Group's management believes that the impact of the conflict to its current operations, supply chain and financial performance is minimal.

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 the payment of an interim dividend for the nine months ended 30 September 2022 (for the nine months ended 30 September 2021: nil).

SHARE OPTION SCHEME

The share option scheme of the Company was adopted under the written resolutions of the shareholders of the Company 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 for the nine months ended 30 September 2022 and there were no outstanding share options under the Share Option Scheme as at 30 September 2022 and up to the date of this announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the period from 1 January 2022 to 30 September 2022, 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.

EVENTS AFTER THE REPORTING PERIOD

The Group has no significant event after the end of the reporting period 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 1 January 2022 to 30 September 2022.

DEED OF NON-COMPETITION

A deed of non-competition dated 2 February 2016 (the “**Deed of Non-competition**”) was entered into by Cyber Goodie, a limited liability company incorporated in the BVI, and Mr. Chung Chi Hang, Larry in favour of the Company (for the benefit of the Company and 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 undertakings have become effective from the listing date of the Company.

COMPETITION AND CONFLICT OF INTERESTS

As far as the Directors are aware, 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 2022.

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. 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 nine months ended 30 September 2022. There is no disagreement by the Audit Committee with the accounting treatment adopted by the Company.

RISK MANAGEMENT COMMITTEE

The risk management committee of the Board (the “**Risk Management Committee**”) was established on 2 February 2016, with specific written terms of reference for assisting the Board in overseeing (i) risk governance structure; and (ii) hedging policies including its activities in forward purchases of copper and entering into the relevant contracts. The Risk Management Committee currently comprises a total of three members, being two executive Directors, namely Mr. Chung Tin Shing and Mr. Wong Shek Fai, Johnson, and one independent non-executive Director, namely Mr. Lam Chon Loi. Following the adoption of a new set of hedging policy on 29 September 2021, the Risk Management Committee is responsible for reviewing and approving the hedging policies as formulated by the hedging team of the Company and reporting to the Board as to whether the hedging policies have been duly followed by the management of 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 to 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, to the best of their knowledge, consider that during the nine months ended 30 September 2022, 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.hkexnews.hk) and the Company (www.keenocean.com.hk). The third quarterly report of the Company for the nine months ended 30 September 2022 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, 8 November 2022

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 of the Stock Exchange's website at www.hkexnews.hk for at least 7 days from the date of its posting and will also be published on the Company's website at www.keenocean.com.hk.