

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.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

*This report, for which the directors (the “**Directors**”) of Keen Ocean International Holding Limited (the “**Company**”) 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 report 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 report misleading.*

This report 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 report will also be published on the Company’s website at www.keenocean.com.hk

CONTENTS

Corporate Information	3
Management Discussion and Analysis	5
Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	9
Unaudited Condensed Consolidated Statement of Changes in Equity	10
Notes to the Unaudited Condensed Consolidated Financial Statements	11
Other Information	17

BOARD OF DIRECTORS

Executive directors

Mr. Chung Chi Hang, Larry (*Chairman*)
Mr. Chung Tin Shing
Mr. Wong Shek Fai, Johnson

Independent non-executive directors

Mr. Wong Choi Chak
Mr. Li Chung Pong, Stephen
Mr. Lam Chon Loi

COMPANY SECRETARY

Ms. Chau Hing Ling

COMPLIANCE OFFICER

Mr. Wong Shek Fai, Johnson

BOARD COMMITTEES

Audit committee

Mr. Wong Choi Chak (*Chairman*)
Mr. Li Chung Pong, Stephen
Mr. Lam Chon Loi

Nomination committee

Mr. Li Chung Pong, Stephen (*Chairman*)
Mr. Lam Chon Loi
Mr. Chung Tin Shing

Remuneration committee

Mr. Lam Chon Loi (*Chairman*)
Mr. Wong Choi Chak
Mr. Chung Chi Hang, Larry

Risk management committee

Mr. Chung Tin Shing (*Chairman*)
Mr. Wong Shek Fai, Johnson
Mr. Lam Chon Loi

AUTHORISED REPRESENTATIVES

Mr. Chung Chi Hang, Larry
Mr. Chung Tin Shing

COMPANY'S WEBSITE

<http://www.keenocean.com.hk>

AUDITOR

ZHONGHUI ANDA CPA LIMITED
Unit 701, 7/F.
Citicorp Centre
18 Whitfield Road
Causeway Bay
Hong Kong

COMPLIANCE ADVISER

LY Capital Limited
Rooms 1901-02
China Insurance Group Building
141 Des Voeux Road Central
Hong Kong

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN CHINA

East of Xinggong Avenue
and South of Keqi Road
High-tech Development Zone
Heyuan City
Guangdong Province
The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 5, 34th Floor
Cable TV Tower
9 Hoi Shing Road
Tsuen Wan
New Territories
Hong Kong

CORPORATE INFORMATION

PRINCIPAL BANKERS

The Hong Kong and Shanghai Banking
Corporation Limited
1 Queen's Road Central
Hong Kong

DBS Bank (Hong Kong) Limited
11th Floor
The Center
99 Queen's Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Union Registrars Limited
Suites 3301-04, 33/F.
Two Chinachem Exchange Square
338 King's Road
North Point
Hong Kong

STOCK CODE

8070

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, namely transformers, switching mode power supplies, and other electronic parts and components. The Group sells its products domestically as well as to overseas customers. Customers are mainly manufacturers and trading entities.

Among the products manufactured and sold, transformers remained the Group's best-selling products and represented approximately 56.8% of the Group's sales for the nine months ended 30 September 2017 (nine months ended 30 September 2016: approximately 50.9%). The percentage sales for switching mode power supplies and electronic parts and components represented approximately 1.0% (nine months ended 30 September 2016: approximately 2.8%) and 42.1% (nine months ended 30 September 2016: approximately 46.3%) respectively of the total sales for the nine months ended 30 September 2017.

Business performance of the Group remained stable during the period under review despite the global economic uncertainty and political instability.

The Group has seen more and more returning of lost customers during the period under review. Thanks to the hard work of the management, the Group found that customers lost in the past are more likely to come back if the management could visit them as early as possible in order to resolve their dissatisfaction. In view of this, the Group endeavours to maintain good customer relationship that customers complaints or potential dissatisfactions must be dealt with promptly without delay. During the period under review, the Group successfully won back at least two major customers lost in 2016.

During the period under review, the Group has raised the retail prices of its products slightly in response to the constant increase in the production costs. Despite the upward adjustment of selling prices, the Group's products remained competitive as compared to its rivals in the market. In addition, the Group has successfully added the newly developed high power switching mode power supply, amplifier board and the digital signal processing board to its product ranges. The contribution to sales from these new products met the Group's expectation during the period under review.

The Group has launched some advertising and marketing campaigns to promote its new and existing products. These campaigns included but not limited to placing advertisements in renowned industrial magazines such as Global Source and taking part in exhibitions held in Guangzhou, the People's Republic of China ("PRC").

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

6 The Group's revenue increased by approximately HK\$17.8 million or 18.9%, from approximately HK\$94.3 million for the nine months ended 30 September 2016 to approximately HK\$112.0 million for the nine months ended 30 September 2017. Such increase was primarily due to the increase in orders from both existing and returning customers lost previously and contribution from launch of new products, especially sales of new amplifier board. Besides, there was an overall upward adjustment to the selling prices of the products sold in the third quarter in response to the rising production costs, notably increase in prices of copper and steel. Cost of sales increased by approximately HK\$15.4 million or 20.5%, from approximately HK\$75.0 million for the nine months ended 30 September 2016 to approximately HK\$90.3 million for the nine months ended 30 September 2017. Such increase was mainly attributable to the corresponding increase in production costs due to increase in sale revenue and rise in prices of copper, a major raw material for manufacturing of the Group's products. The Group recorded a rise in copper price by almost 24% since the beginning of the period under review. As a result of the increase in sales, the Group's gross profit increase by approximately HK\$2.4 million, or 12.6%, from approximately HK\$19.3 million for the nine months ended 30 September 2016 to approximately HK\$21.7 million for the nine months ended 30 September 2017. However, gross profit margin went down from approximately 20.5% for the nine months ended 30 September 2016 to approximately 19.4% for the nine months ended 30 September 2017. It was because the increase in sales was gobbled up by the high copper price and rise in other production costs.

Other income decreased by approximately HK\$0.2 million or 20% from approximately HK\$1.0 million for the nine months ended 30 September 2016 to approximately HK\$0.8 million for the nine months ended 30 September 2017. Such decrease was mainly due to the one-off compensation of approximately HK\$311,000 received in 2016 from a transportation company for loss of the Group's merchandise in transit. No such income was received during the period under review.

Other gains decreased by approximately HK\$0.2 million or 81.7% from gains of approximately HK\$0.25 million for the nine months ended 30 September 2016 to gains of approximately HK\$0.05 million for the nine months ended 30 September 2017. Such decrease in gains was mainly attributable to the strong Renminbi against Hong Kong dollars during the period under review which resulted in lesser foreign exchange gain from the Group's operating activities in PRC as compared with the corresponding period in last year.

Selling and distribution expenses increased by approximately HK\$1.2 million or 31.9%, from approximately HK\$3.7 million for the nine months ended 30 September 2016 to approximately HK\$4.9 million for the nine months ended 30 September 2017. The increase in sales has brought about the increase in all associated selling and distribution expenses. In addition, more advertising, promotional and sample expenses have been incurred with the introduction of new products and there was an overall increase in transportation and handling charges by transportation companies for shipment of goods overseas.

MANAGEMENT DISCUSSION AND ANALYSIS

Administrative expenses increased by approximately HK\$4.6 million or 29.5% from approximately HK\$15.6 million for the nine months ended 30 September 2016 to approximately HK\$20.2 million for the nine months ended 30 September 2017. The increase was mainly due to the increase in research and development expenditures on new products development, hiring of senior staff and an overall increase in employees' salaries and welfare so as to maintaining the Group's competitiveness in the market.

Other expenses, which comprise solely the Company's listing expenses, decreased by approximately HK\$3.2 million or 100% from approximately HK\$3.2 million for the nine months ended 30 September 2016 to nil for the nine months ended 30 September 2017. Such decrease was due to the fully written off of the remaining listing expenses of approximately HK\$3.2 million during the nine months ended 30 September 2016.

Finance costs increased by approximately HK\$0.1 million or 12.2% from approximately HK\$0.9 million for the nine months ended 30 September 2016 to approximately HK\$1.0 million for the nine months ended 30 September 2017. The increase was mainly due to the increase in bank interest arising from the increase in short term factoring service, a common type of debtor finance in which the Group sells its accounts receivable to the bank at a discount for immediate cash received, as a result of increase in sales.

Income tax expenses decreased by approximately HK0.9 million or 86.3% from approximately HK\$1.0 million for the nine months ended 30 September 2016 to approximately HK\$0.1 million for the nine months ended 30 September 2017. Such decrease was mainly due to the over provision of Hong Kong profits tax for the Group's operations in Hong Kong for the corresponding period in 2016.

As a result of the above, the Group recorded a loss of approximately HK\$3.6 million for the nine months ended 30 September 2017 (nine months ended 30 September 2016: loss of approximately HK\$3.8 million).

Prospect

Despite the gloomy economic outlook, the Directors are of the view that the long term prospect for the industries where the Group is operating within are still challenging.

More transformers and amplifier boards will be developed to supplement the existing product lines. The Group believes that these new products have their niche markets due to their distinctive designs and features offered to customers.

In the short term, apart from developing new products to broaden its product range, the Group will take all appropriate measures to maximise the efficiency and effectiveness in production processes and to minimise the costs of production. The Group will also continue to promote its existing products, exploit oversea markets, solidify relationship with existing customers and widen customer base. The Group has confident to overcome the current stagnation and endeavors to strengthen its competitiveness in the market so as to generate sustainable returns and maximise shareholders' return.

MANAGEMENT DISCUSSION AND ANALYSIS

Use of proceeds

As disclosed in the prospectus of the Company's prospectus date 17 February 2016 (the "**Prospectus**"), the net estimated proceeds from the placing, after deduction of the underwriting fees and expenses paid by the Company in connection therewith, were approximately HK\$16 million. Actual net proceeds received by the Company were approximately HK\$14.8 million. Since the listing of the shares of the Company on 24 February 2016 (the "**Listing Date**"), 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 30 September 2017, the Group has utilized approximately HK\$9.2 million in development and launch of new products, approximately HK\$1.6 million in solidification of customer relationship, widening of customers base and promoting existing products and approximately HK\$1.4 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.

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

For the three months and nine months ended 30 September 2017

The board of directors of the Company (the “**Board**”) is pleased to present the unaudited condensed consolidated results of the Group for the three months and nine months ended 30 September 2017, together with the comparative figures for the corresponding period in 2016 as follows:

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Revenue	3	37,574	30,660	112,047	94,256
Cost of sales		(31,205)	(24,741)	(90,327)	(74,968)
Gross profit		6,369	5,919	21,720	19,288
Other income	4	418	301	797	995
Other gains and (losses)		(47)	(61)	45	248
Selling and distribution expenses		(1,704)	(1,189)	(4,880)	(3,701)
Administrative expenses		(5,981)	(4,920)	(20,205)	(15,605)
Other expense		-	-	-	(3,168)
Finance costs	5	(342)	(226)	(974)	(868)
Loss before tax	6	(1,287)	(176)	(3,497)	(2,811)
Income tax expense	7	63	(215)	(141)	(1,032)
Loss and total comprehensive expense for the period attributable to owners of the Company		(1,224)	(391)	(3,638)	(3,843)
Loss per share					
– Basic (HK cents)	9	(0.61)	(0.02)	(1.82)	(2.04)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2017

	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 2016	-	-	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	2,000	24,973	3,000	39,764	(176)	69,561
At 1 January 2017 (Audited)	2,000	24,973	3,000	37,379	(110)	67,242
Loss and comprehensive expense for the period	-	-	-	(3,638)	-	(3,638)
At 30 September 2017	2,000	24,973	3,000	33,741	(110)	63,604

Notes:

- 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 group reorganisation.
- 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 pro-rata basis, conditional on the share premium account being credited as a result of the issue of shares by the Company pursuant to the placement.
- 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 Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the "GEM"). 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 2017

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 AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements of the Group for the nine months ended 30 September 2016 and 2017 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 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 2016, except for the adoption of the new and revised HKFRSs that have become effective for its accounting period beginning on 1 January 2017.

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. Adjustment may be identified during the course of annual audit to be performed by the company auditor.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2017

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 the aforesaid 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	
	2017 <i>HK\$'000</i> (Unaudited)	2016 <i>HK\$'000</i> (Unaudited)	2017 <i>HK\$'000</i> (Unaudited)	2016 <i>HK\$'000</i> (Unaudited)
Sales of transformers	22,035	16,527	63,683	47,965
Sales of switching mode power supply	165	617	1,151	2,680
Sales of electronic parts and products	15,374	13,516	47,213	43,611
	37,574	30,660	112,047	94,256

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2017

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		For the nine months ended		30 September	31 December
	30 September		30 September			
	2017	2016	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Hong Kong	4,736	4,170	15,090	19,871	1,344	1,659
PRC	13,233	10,414	34,486	31,274	6,450	6,959
Europe	9,079	6,798	27,874	22,054	-	-
United States	5,033	4,893	19,971	13,008	-	-
Others	5,493	4,385	14,626	8,049	-	-
	37,574	30,660	112,047	94,256	7,794	8,618

13

4. OTHER INCOME

	For the three months ended		For the nine months ended	
	30 September		30 September	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Sales of scrap materials	2	78	265	439
Bank interest income	35	7	151	35
Compensation from transportation	-	104	-	311
Gain on disposal of fixed asset	-	-	-	28
Government incentive	381	112	381	182
	418	301	797	995

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2017

5. FINANCE COSTS

	For the three months ended 30 September		For the nine months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Interest on bank borrowings	342	226	974	868

6. LOSS BEFORE TAX

	For the three months ended 30 September		For the nine months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Loss before tax has been arrived at after charging				
Auditor's remuneration	153	–	483	668
Depreciation of plant and equipment	531	792	1,653	1,868
Cost of inventories sold	29,741	23,142	87,607	71,862
Minimum lease payment paid under operating leases	683	621	2,175	2,080
Research and development expenses	1,104	785	5,311	2,748
Directors' emoluments				
– Salaries and other benefits	341	332	1,037	901
– Retired benefit contributions	12	13	36	34
	353	345	1,073	935
Staff salaries and other benefits	9,860	6,845	23,977	20,747
Staff retirement benefit contributions	457	479	1,521	1,592
	10,317	7,324	25,498	22,339
Total staff costs (including directors' emoluments)	10,670	7,669	26,571	23,274

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2017

7. INCOME TAX EXPENSES

	For the three months ended 30 September		For the nine months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Current tax:				
Hong Kong Profits Tax	–	215	14	894
PRC Enterprise Income Tax	(63)	–	127	138
	(63)	215	141	1,032

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%.

8. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2017 (2016: nil).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2017

9. LOSS PER SHARE

Basis loss per shares are calculated by dividing the loss attributable to shareholders of the Company by the weighted average number of ordinary shares in issued for the nine months ended 30 September 2017 and 2016.

	For the three months ended 30 September		For the nine months ended 30 September	
	2017 (Unaudited)	2016 (Unaudited)	2017 (Unaudited)	2016 (Unaudited)
Loss for the period attributable to owners of the Company (HKD'000)	<u>(1,224)</u>	<u>(391)</u>	<u>(3,638)</u>	<u>(3,834)</u>
Number of shares:				
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share (Note)	<u>200,000,000</u>	<u>200,000,000</u>	<u>200,000,000</u>	<u>188,131,868</u>

Note:

The weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share for the nine months ended 30 September 2017 and 2016 has been determined on the assumption that the capitalisation issue had been effective on 1 January 2015.

No diluted loss per share is presented for the nine months ended 30 September 2017 and 2016 since there is no potential diluted ordinary shares in issue during both periods.

DISCLOSURE OF INTERESTS**(a) Interests and short position of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or the associated corporations**

As at 30 September 2017, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required as otherwise to be notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Rule 5.46 of the GEM Listing Rules, were as follows:

(i) Interests in the company

Name of Director	Capacity/ Nature of interest	Number of shares (note 1)	Approximate percentage of shares
Mr. Chung Chi Hang, Larry (note 2)	Interest of a controlled corporation	126,000,000	63.0%
Mr. Chung Tin Shing	Beneficial interest	14,000,000	7.0%

Notes:

- (1) All interest stated are long positions.
- (2) These shares are held by Cyber Goodie Limited, 100% shareholding of which is owned by Mr. Chung Chi Hang, Larry. Mr. Chung Chi Hang, Larry is deemed to be interested in the shares held by Cyber Goodie Limited under the SFO.

(ii) Interests in associated corporation(s) of the company

Name of Director	Name of associated corporation	Capacity/ Nature of interest	Number of shares	Percentage of shareholding
Mr. Chung Chi Hang, Larry	Cyber Goodie Limited	Beneficial owner	10 (long position)	100%

OTHER INFORMATION

Save as disclosed above, as at 30 September 2017, none of the Directors and chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provisions of the SFO) or (ii) which were required to be recorded in the register required to be kept by the Company under Section 352 of the SFO or (iii) which were otherwise notified to the Company and the Stock Exchange pursuant to the required standards of dealing by Directors as referred to in Rule 5.46 of the GEM Listing Rules.

(b) Interests and short positions of the substantial shareholders in the shares and underlying shares

Save as disclosed above, as at 30 September 2017, the Directors and chief executive are not aware of any person, other than a Director or chief executive of the Company, who has an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

18

DIVIDENDS

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2017 (for the nine months ended 30 September 2016: nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the period from 1 January 2017 to 30 September 2017, 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 1 January 2017 to 30 September 2017 and there were no outstanding share options under the Share Option Scheme as at 30 September 2017 and up to the date of this report.

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 2017 to 30 September 2017.

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 2017.

DIRECTORS’ RIGHT TO ACQUIRE SHARES

Save as disclosed in this report, at no time during the period from 1 January 2017 to 30 September 2017 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 2017.

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. With effect from 30 June 2017, as Mr. Tang Sze Wo has resigned as an independent non-executive Director and a member of the Audit Committee, Mr. Lam Chon Loi has been appointed as an independent non-executive Director and a member of the Audit Committee. The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Wong Choi Chak, Mr. Li Chung Pong, Stephen and Mr. Lam Chon Loi. 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 2017.

OTHER INFORMATION

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 1 January 2017 and up to 30 September 2017, the Company has complied with the CG Code.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

The Company does not have any other disclosure obligations under Rules 17.22, 17.23 and 17.24 of the Listing Rules.

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

20

Hong Kong, 7 November 2017

As at the date of this report, the executive directors of the Company are Mr. Chung Chi Hang, Larry, Mr. Chung Tin Shing and Mr. Wong Shek Fai, Johnson; and the independent non-executive directors of the Company are Mr. Wong Choi Chak, Mr. Li Chung Pong, Stephen and Mr. Lam Chon Loi.