



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.

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*This report, 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 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 Listed Company Information” 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.



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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. Cheung Yee Tak, Jonathan
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. Cheung Yee Tak, Jonathan (*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. Cheung Yee Tak, Jonathan
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

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Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN CHINA

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and South of Keqi Road
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The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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New Territories
Hong Kong

CORPORATE INFORMATION

PRINCIPAL BANKERS

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Codan Trust Company (Cayman) Limited
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Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Union Registrars Limited
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North Point
Hong Kong

STOCK CODE

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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, other electronic parts and components as well as electric healthcare products. The Group sells its products domestically as well as overseas. Customers are mainly manufacturers and trading entities.

Among the products manufactured and sold, transformers remained to be the Group's flagship products and represented approximately 46.35% of the Group's sales for the nine months ended 30 September 2019 (for the nine months ended 30 September 2018: approximately 56.00%). The percentage sales for switching mode power supplies represented approximately 9.92% of the Group's sales for the nine months ended 30 September 2019 (for the nine months ended 30 September 2018: approximately 1.17%). The percentage sales for other electronic parts and components as well as other electronic products accounted for the remaining approximately 33.78% of the Group's sales for the nine months ended 30 September 2019 (for the nine months ended 30 September 2018: approximately 42.84%). Since the delivering of our new electric healthcare product, it has evolved rapidly to become a new sustainable product line on its own. The new electric healthcare product line accounted for approximately 9.96% of the Group's sales for the nine months ended 30 September 2019 (for the nine months ended 30 September 2018: Nil).

The tension arising from the trade dispute between the US and China seems to have lessened in the past few months after several talks between the two government officials. Despite such relaxation, the Group remains cautiously optimistic over the market outlook amid the uncertain global economic environment and political instability.

The Group recorded a slightly decrease in revenue during the period under review as compared to the corresponding period in last year mainly due to the global economic uncertainty and political instability. Such decrease was attributable to the decrease in sales from US customers due to the increase in import duty levied by the US government for goods manufactured in China. Apart from the US market, our business activities for goods shipped to other countries have not been affected during the period under review.

The Group has temporarily suspended the production and sales of enamelled copper wire due to its low profit margin. Besides, such production may tie up the Group's resources which would otherwise be used to produce more profitable products when opportunity arises. This explains why the sales of other electronic parts and components dropped during the period under review as compared to the corresponding period in 2018.

The delivery of electric healthcare product to customers for the three months ended 30 September 2019 has been interrupted due to customers' requests to defer shipments. The Group has adjusted its production schedule to alleviate the impact from such interruption. The Group has also paid close attention to the demand of electric healthcare product in the European market and take precautionary action to minimize any impact due to unexpected change in market conditions.

During the period under review, the management of the Group continued to visit and follow up with major customers in order to maintain good business relationships.

MANAGEMENT DISCUSSION AND ANALYSIS

For the three months ended 30 September 2019, price of copper continued to drop to a more reasonable level. As less resources were tied up in buying raw copper, more funds have been released for other development and investment purposes.

During the period under review, the Group increased the price of its transformer products by 5 to 8 percent in order to match the prevailing market prices.

FINANCIAL REVIEW

The Group's revenue decreased slightly by approximately HK\$2.45 million, or 1.93%, from approximately HK\$126.99 million for the nine months ended 30 September 2018 to approximately HK\$124.54 million for the nine months ended 30 September 2019. Such decrease was primarily due to the slightly drop in sales from the US market as a result of the trade war between US and China. Cost of sales decreased by approximately HK\$5.19 million, or 4.73%, from approximately HK\$109.66 million for the nine months ended 30 September 2018 to approximately HK\$104.48 million for the nine months ended 30 September 2019. Such decrease was mainly due to the drop in labour cost as well as the price of copper during the period under review. The Group is in the process of re-engineering its production processes in order to save production costs and improve efficiency and effectiveness of production. As a result, the Group's gross profit increased by approximately HK\$2.74 million, or 15.81%, from approximately HK\$17.33 million for the nine months ended 30 September 2018 to approximately HK\$20.07 million for the nine months ended 30 September 2019. Gross profit margin increased from 13.65% for the nine months ended 30 September 2018 to 16.12% for the nine months ended 30 September 2019. Such increase was attributable to saving in labour cost and copper cost without affecting the effectiveness and efficiency of production. The other reasons for the increase in profit margin was due to a reduction in production cost as a result of optimisation of production process.

Other income decreased by approximately HK\$325,000 or 50.98% from approximately HK\$663,000 for the nine months ended 30 September 2018 to approximately HK\$338,000 for the nine months ended 30 September 2019. Such decrease was mainly due to the decrease in bank interest income as a result of non-renewal of some fixed deposits after their maturity and decrease in sales of scrap materials. Besides, there was a reduction of government grant received by the Group from the Heyuan Municipality from approximately HK\$234,000 for the nine months ended 30 September 2018 to approximately HK\$21,000 for the nine months ended 30 September 2019.

Other gains increased by approximately HK\$137,000 or 49.81% from gains of approximately HK\$275,000 for the nine months ended 30 September 2018 to gains of approximately HK\$412,000 for the nine months ended 30 September 2019. Such increase in gains was mainly attributable to the depreciation of Renminbi against US dollars during the period under review as some of the sales were billed in Renminbi but were agreed in advance to be settled in US dollars at a pre-determined rate fixed on invoice date.

Selling and distribution expenses decreased by approximately HK\$0.26 million or 5.05%, from approximately HK\$5.15 million for the nine months ended 30 September 2018 to approximately HK\$4.89 million for the nine months ended 30 September 2019. Such decrease was mainly attributable to the decrease in shipping and handling charges. The Group had more small individual customers in 2018 than in 2019. For this reason, the Group incurred more shipping and handling charges for shipping goods to various small individual customers in 2018. In 2019, orders are mainly from sizable customers. Shipping of sizable orders help the Group to save handling charges and obtain more favourable shipping rates.

Administrative expenses decreased by approximately HK\$1.45 million or 7.90%, from approximately HK\$18.36 million for the nine months ended 30 September 2018 to approximately HK\$16.91 million for the nine months ended 30 September 2019. The Group successfully reduced its overhead expenditures by streamlining its administrative workflows. There were obvious cost saving in human resources and related expenditures as a result of such exercise. Besides, the effectiveness and efficiency of the Group's operations have also been improved.

Finance costs decreased slightly by approximately HK\$0.17 million or 11.26% from approximately HK\$1.51 million (restated) for the nine months ended 30 September 2018 to approximately HK\$1.34 million for the nine months ended 30 September 2019. Such decrease was attributable to the decrease in interest arising on the lease liability for the nine months ended 30 September 2019 as compared with the same interest (restated) for the corresponding period in 2018 as a result of adoption of the new HKFRS 16 Leases effective for annual period from or after 1 January 2019.

Income tax expenses increased by approximately HK\$0.20 million or 100% from approximately HK\$nil for the nine months ended 30 September 2018 to approximately HK\$0.20 million for the nine months ended 30 September 2019. Such increase was mainly due to provision of profit tax payable by the Group as a result of increase in profits incurred in respect of the Group's operations in Hong Kong and China during the period under review.

As a result of the above, the Group recorded a loss of approximately HK\$2.52 million for the nine months ended 30 September 2019 (for the nine months ended 30 September 2018: restated loss of approximately HK\$6.75 million).

PROSPECT

The trade talks between US and China are continuing with good progress. Both nations are trying to narrow down the differences with a view to reaching an initial agreement to avoid any further retaliations. The Group is optimistic about progress of the trade talks between the two countries. On the other hand, the Group will also actively exploit transformer market in other regions to reduce the risk inherent in the US market.

In the short term, the Group will continue to take all appropriate measures to maximise the efficiency and effectiveness of the production processes and to minimise the cost 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 confidence to improve the profit margin of its products and endeavors to strengthen its competitiveness in the market so as to generate sustainable returns and maximise shareholders' return.

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

For the three months and nine months ended 30 September 2019

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 2019, together with the comparative figures for the corresponding period in 2018 as follows:

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited) (Restated)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited) (Restated)
Revenue	4	35,655	45,635	124,543	126,997
Cost of sales		(30,298)	(39,626)	(104,475)	(109,663)
Gross profit		5,357	6,009	20,068	17,334
Other income	5	59	201	338	663
Other gains and (losses)		61	(269)	412	275
Selling and distribution expenses		(1,569)	(1,653)	(4,893)	(5,148)
Administrative expenses		(5,629)	(6,212)	(16,909)	(18,362)
Finance costs	6	(430)	(503)	(1,339)	(1,513)
Loss before tax	7	(2,151)	(2,427)	(2,323)	(6,751)
Income tax expense	8	-	-	200	-
Loss for the period		(2,151)	(2,427)	(2,523)	(6,751)
Other comprehensive expenses after tax:					
<i>Items that may be reclassified to profit or loss:</i>					
Exchange differences on translating foreign operations		(39)	(32)	71	(355)
Total comprehensive expenses for the period		(2,190)	(2,459)	(2,452)	(7,106)
Loss for the period attributable to:					
Equity holders of the Company		(2,151)	(2,427)	(2,522)	(6,765)
Non-controlling interests		-	-	(1)	14
		(2,151)	(2,427)	(2,523)	(6,751)
Total comprehensive expenses for the period attributable to:					
Equity holders of the Company		(2,190)	(2,459)	(2,451)	(7,120)
Non-controlling interests		-	-	(1)	14
		(2,190)	(2,459)	(2,452)	(7,106)
Loss per share	10				
Basic and diluted (HK cents)		(1.08)	(1.21)	(1.26)	(3.37)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2019

	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		
At 1 January 2018 (audited)	2,000	24,973	3,000	30,503	477	60,953	-	60,953
Loss and total comprehensive expense for the period, as restated (unaudited)	-	-	-	(6,765)	(355)	(7,120)	14	(7,106)
Contribution by non-controlling shareholders (unaudited)	-	-	-	-	-	-	14	14
At 30 September 2018, as restated (unaudited)	<u>2,000</u>	<u>24,973</u>	<u>3,000</u>	<u>37,268</u>	<u>122</u>	<u>53,833</u>	<u>28</u>	<u>53,861</u>
At 1 January 2019, as restated (audited)	2,000	24,973	3,000	23,574	847	54,394	17	54,411
Loss and total comprehensive expense for the period (unaudited)	-	-	-	(2,522)	71	(2,451)	(1)	(2,452)
At 30 September 2019 (unaudited)	<u>2,000</u>	<u>24,973</u>	<u>3,000</u>	<u>21,052</u>	<u>918</u>	<u>51,943</u>	<u>16</u>	<u>51,959</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2019

1. GENERAL INFORMATION

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands on 19 December 2014 under the Companies Law of Cayman Islands (as consolidated and revised) and its shares were listed on GEM of the Stock Exchange 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 2018 and 2019 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 unaudited condensed consolidated financial statements have been prepared under historical cost basis and not been audited by the Company’s auditors, but have been reviewed by the audit committee of the Board (the “**Audit Committee**”). Adjustment may be identified during the course of annual audit to be performed by the Company auditors.

These unaudited condensed consolidated financial statements should be read in conjunction with the 2018 annual financial statements. The accounting policies and methods of computation used in the preparation of these unaudited condensed financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2018 except as stated below.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2019

Leases

The Group as lessee

Leases are recognised as right-of-use assets and corresponding lease liabilities when the leased assets are available for use by the Group. Right-of-use assets are stated at cost less accumulated depreciation and impairment losses. Depreciation of right-of-use assets is calculated at rates to write off their cost over the shorter of the asset's useful life and the lease term on a straight-line basis. The principal annual rates are as follows:

Buildings over the lease term of 2 years or 3 years

Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liabilities, lease payments prepaid, initial direct costs and the restoration costs. Lease liabilities include the net present value of the lease payments discounted using the interest rate implicit in the lease if that rate can be determined or otherwise the Group's incremental borrowing rate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the lease liability.

Payments associated with short-term leases and leases of low-value assets are recognised as expenses in profit or loss on a straight-line basis over the lease terms. Short-term leases are leases with an initial lease term of 12 months or less. Low-value assets are assets of value below US\$5,000.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2019

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2019. 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 except as stated below.

HKFRS 16 “Leases”

On adoption of HKFRS 16, the Group recognised right-of-use assets and lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under HKAS 17 “Leases”.

HKFRS 16 has been applied retrospectively and resulted in changes in the consolidated amounts reported in the financial statements as follows:

	31 December 2018 HK\$’000	1 January 2018 HK\$’000
Statement of financial position:		
Increase in right-of-use assets	4,609	4,111
Increase in lease liabilities	4,793	4,250
Decrease in retained earnings	184	139
	For the three months ended 30 September 2018 HK\$’000	For the nine months ended 30 September 2018 HK\$’000
Statement of profit and loss		
Increase/(Decrease) in cost of sales	41	(182)
Increase/(Decrease) in administrative expenses	(102)	0
Increase/(Decrease) in lease interests	68	228
Increase/(Decrease) in loss for the period	(7)	(46)
Increase/(Decrease) in loss per share – Basic and diluted (HK cents)	N/A	(0.02)

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 HKFRS would have a material impact on its results of operations and financial position.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2019

4. 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 and electric healthcare products 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	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited) (Restated)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited) (Restated)
Sales of transformers	18,556	27,073	57,722	71,113
Sales of switching mode power supply	2,788	253	12,349	1,481
Sales of electronic parts and products as well as enamelled copper wires	11,022	18,309	42,073	54,403
Sales of electric healthcare products	3,289	–	12,399	–
	35,655	45,635	124,543	126,997

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2019

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		30 September	31 December
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited) (Restated)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited) (Restated)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Audited) (Restated)
Hong Kong	5,822	5,105	14,252	14,533	1,030	1,607
PRC	17,141	25,788	42,587	43,426	1,282	13,346
Europe	5,137	4,978	27,939	22,700	-	-
United States	3,344	1,523	16,148	22,255	-	-
Others	4,211	8,241	23,617	24,083	-	-
	35,655	45,635	124,543	126,997	2,312	14,593

All timing of revenue is at a point in time for the nine months ended 30 September 2019 and 2018.

5. OTHER INCOME

	For the three months ended 30 September		For the nine months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited) (Restated)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited) (Restated)
Sales of scrap materials	23	-	256	327
Bank interest income	18	21	61	102
Government incentive	18	180	21	234
	59	201	338	663

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2019

6. FINANCE COSTS

	For the three months ended 30 September		For the nine months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited) (Restated)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited) (Restated)
Interest on bank borrowings	393	436	1,202	1,285
Lease liabilities interest	37	67	137	228
	430	503	1,339	1,513

7. LOSS BEFORE TAX

	For the three months ended 30 September		For the nine months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited) (Restated)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited) (Restated)
Loss before tax has been arrived at after charging:				
Auditor's remuneration	164	140	468	499
Cost of inventories sold	29,601	37,681	83,352	105,540
Depreciation of plant and equipment	431	296	1,625	1,428
Depreciation of right of use asset	732	726	2,194	2,175
Research and development expenses	667	958	1,992	2,505
Directors' emoluments				
– Salaries and other benefits	341	341	1,024	1,024
– Retired benefit contributions	12	12	35	35
	353	353	1,059	1,059
Staff salaries and other benefits	5,859	9,152	20,673	24,299
Staff retirement benefit contributions	715	983	1,572	1,475
	6,574	10,135	22,245	25,774
Total staff costs (including directors' emoluments)	6,927	10,488	23,304	26,833

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2019

8. INCOME TAX EXPENSES

	For the three months ended 30 September		For the nine months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited) (Restated)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited) (Restated)
Current tax:				
Hong Kong Profits Tax	-	-	83	-
PRC Enterprise Income Tax	-	-	117	-
	-	-	200	-

Provision of Hong Kong Profit Tax is calculated at the rate of 16.5% based on assessable profit for the nine months ended 30 September 2019 (for the nine months ended 30 September 2018: Nil).

Provision of PRC 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 the nine months ended 30 September 2019 (for the nine months ended 30 September 2018: Nil).

9. DIVIDENDS

No dividend was paid, declared or proposed for the nine months ended 30 September 2019 (2018: nil).

10. LOSS PER SHARE

Basis loss per share is calculated by dividing the loss attributable to shareholders of the Company by the weighted average number of ordinary shares in issue for the nine months ended 30 September 2019 and 2018.

	For the three months ended 30 September		For the nine months ended 30 September	
	2019 (Unaudited)	2018 (Unaudited) (Restated)	2019 (Unaudited)	2018 (Unaudited) (Restated)
Loss for the period attributable to owners of the Company (HK\$'000)	(2,151)	(2,427)	(2,523)	(6,751)
Number of shares:				
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share (Note)	200,000,000	200,000,000	200,000,000	200,000,000

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 2019 and 2018 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 2019 and 2018 since there are 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 2019, 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 (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 Directors	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 2019, 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 2019, 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.

CHANGES IN THE BOARD AND THE DIRECTOR'S INFORMATION

Changes in the Board and the information of the Directors since the date of the Company's interim report 2019 are as follow:

- (1) With effect from 8 October 2019, Mr. Ng Wing Cheong has resigned as an independent non-executive Director, the chairman and a member of the Audit Committee and a member of the Remuneration Committee.
- (2) With effect from 8 October 2019, Mr. Cheung Yee Tak, Jonathan has been appointed as an independent non-executive Director, the chairman and a member of the Audit Committee and a member of the Remuneration Committee.

DIVIDENDS

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2019 (for the nine months ended 30 September 2018: nil).

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 for the nine months ended 30 September 2019 and there were no outstanding share options under the Share Option Scheme as at 30 September 2019 and up to the date of this report.

DIRECTORS' RIGHT TO ACQUIRE SHARES

Save as disclosed in this report, at no time during the period from 1 January 2019 to 30 September 2019 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 Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the period from 1 January 2019 to 30 September 2019, 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.

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 2019 to 30 September 2019.

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 of the Company.

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 2019.

OTHER INFORMATION

AUDIT COMMITTEE

The Board has established its Audit Committee on 2 February 2016, which operates under terms of reference approved by the Board. Following the resignation of Mr. Ng Wing Cheong as an independent non-executive Director and the chairman of the Audit Committee, Mr. Cheung Yee Tak, Jonathan has been appointed as an independent non-executive Director and the chairman of the Audit Committee with effect from 8 October 2019. 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 2019.

INTERESTS OF COMPLIANCE ADVISER

The compliance adviser agreement (the “**Compliance Agreement**”) entered into between the Company and LY Capital Limited (“**LY Capital**”) on 17 March 2015 expired on 31 March 2019. As notified by LY capital, save and except for the Compliance Agreement, neither LY Capital nor 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 on or prior to the expiry of the Compliance Agreement.

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 2019 the Company has complied with the CG Code.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE GEM LISTING RULES

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

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

Hong Kong, 11 November 2019

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. Cheung Yee Tak, Jonathan, Mr. Li Chung Pong, Stephen and Mr. Lam Chon Loi.