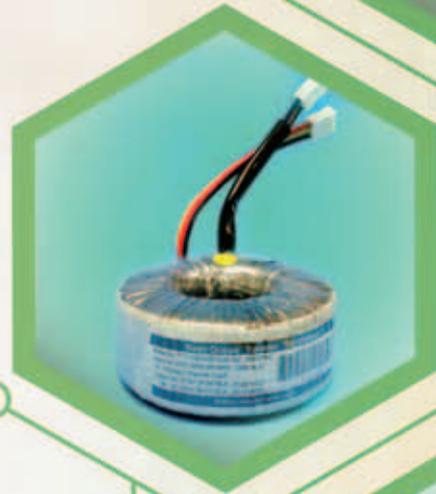


KEEN OCEAN INTERNATIONAL HOLDING LIMITED

(incorporated in the Cayman Islands with limited liability)

Stock Code : 8070



FIRST QUARTERLY REPORT

2018

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 Main Board. 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.

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**” 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 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.

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CORPORATE INFORMATION

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 and other electrical and electronic products, namely: (1) transformers, (2) switching mode power supplies, (3) other electronic parts and components as well as enamelled copper wire. 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 flagship products and represented approximately 49.9% of the Group's sales for the three months ended 31 March 2018 (for the three months ended 31 March 2017: approximately 54.1%). The percentage sales for switching mode power supplies and other electronic parts and components as well as enamelled copper wire represented approximately 1.2% (for the three months ended 31 March 2017: approximately 1.1%) and approximately 48.9% (for the three months ended 31 March 2017: 44.8%) respectively of the total sales for the three months ended 31 March 2018. The fall in percentage of transformer sales was due to the rise in percentage of enamelled copper wire sales, a new production line started since the fourth quarter of 2017.

Revenue generated by the Group increased slightly during the period under review despite the global economic uncertainty and political instability. Such increase was mainly attributable to the contribution from selling of enamelled copper wire, which has lower gross profit margin but tremendous potential, as compared with all existing products sold.

During the period under review, the Group continued to visit and follow up with some major lost customers in order to convince them to buy back from the Group.

During the period under review, prices of copper and steel continued to rise without sign of mitigation. All other manufacturing costs, both fixed and variable, also increased continuously. Although it would affect the Group's current profit margin, the Group has confidence that such impact would only be temporary. The Group will eventually adjust the product prices to reflect the market conditions.

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 for the three months ended 31 March 2018.

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 locally.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group's revenue increased by approximately HK\$3.77 million, or 10.9%, from approximately HK\$34.59 million for the three months ended 31 March 2017 to approximately HK\$38.36 million for the three months ended 31 March 2018. Such increase was primarily due to the selling of enamelled copper wire, a new product line started since the fourth quarter of 2017. Cost of sales increased by approximately HK\$5.51 million, or 20.0%, from approximately HK\$27.63 million for the three months ended 31 March 2017 to approximately HK\$33.14 million for the three months ended 31 March 2018. Such increase was mainly attributable to the corresponding increase in production costs due to increase in sale revenue and a steady rise in prices of copper and steel since the beginning of last year, major raw materials for manufacturing of the Group's products. There was no sign of stop rising in price. The Group recorded a rise in copper price by almost 20.4% since the beginning of the last reporting period. As a result, the Group's gross profit decreased by approximately HK\$1.74 million, or 25.0%, from approximately HK\$6.97 million for the three months ended 31 March 2017 to approximately HK\$5.23 million for the three months ended 31 March 2018. However, gross profit margin went down from 20.1% for the three months ended 31 March 2017 to 13.6% for the three months ended 31 March 2018. It was because the profit margin was whittled away by the high copper price and rise in other production costs, especially labour wages.

Other income increased by approximately HK\$0.06 million or 240% from approximately HK\$0.03 million for the three months ended 31 March 2017 to approximately HK\$0.09 million for the three months ended 31 March 2018. Such increase was mainly due to the increase in bank interest income and the one-off government grant of approximately HK\$0.03 million received from the He Yuan Municipal Authority for achievement obtained by the Group's subsidiary in the design and production of innovative products within He Yuan city.

Other gains increased by approximately HK\$0.11 million or 2,725% from gains of approximately HK\$0.01 million for the three months ended 31 March 2017 to gains of approximately HK\$0.11 million for the three months ended 31 March 2018. Such increase in gains was mainly attributable to the Renminbi appreciated against US dollars during the period under review as some of the sales were billed in Renminbi, but were settled in US dollars instead.

Selling and distribution expenses increased by approximately HK\$0.30 million or 20.4%, from approximately HK\$1.49 million for the three months ended 31 March 2017 to approximately HK\$1.80 million for the three months ended 31 March 2018. 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.

Administrative expenses remained stable and maintained at approximately HK\$5.90 million for both of the three months ended 31 March 2017 and 2018. The Group successfully reduced its overhead expenditures by streamlining its administrative workflows in order to cancel out the high staff cost and welfare expenses and yet still be able to maintain its effectiveness and efficiency.

MANAGEMENT DISCUSSION AND ANALYSIS

Finance costs increased by approximately HK\$0.12 million or 41.1% from approximately HK\$0.29 million for the three months ended 31 March 2017 to HK\$0.41 million for the three months ended 31 March 2018. 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 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 HK0.02 million or 100% from approximately HK\$0.02 million for the three months ended 31 March 2017 to HK\$nil for the three months ended 31 March 2018. Such decrease was mainly due to no provision of profits tax for the Group's operations as a result of losses incurred during the period under review.

As a result of the above, the Group recorded a loss of approximately HK\$2.73 million for the three months ended 31 March 2018 (for the three months ended 31 March 2017: loss of approximately HK\$0.67 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 new products will be developed to supplement the existing product lines. The Group is current approached by some oversea designers of patented electric healthcare products. They are looking for reputable manufacturers in China to help them to produce their patented products. The Group is looking into this opportunity and is in close contact and follow up with them.

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.

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

For the three months ended 31 March 2018

		For the three months ended 31 March	
	<i>Notes</i>	2018 HK\$'000 (Unaudited)	2017 <i>HK\$'000</i> (Unaudited)
Revenue	3	38,361	34,594
Cost of sales		(33,136)	(27,625)
Gross profits		5,225	6,969
Other income	4	85	25
Other gains and losses		113	4
Selling and distribution expenses		(1,793)	(1,490)
Administrative expenses		(5,945)	(5,867)
Other expenses		–	–
Finance costs	5	(412)	(292)
Loss before tax	6	(2,727)	(651)
Income tax expenses	7	–	(14)
Loss and total comprehensive expense for the period attributable to owners of the Company		(2,727)	(665)
Loss per share – Basic (HK cents)	9	(1.36)	(0.33)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2018

	Attributable to owners of the Company					Total
	Share capital	Share premium	Special reserve (note a)	Retained profits	Translation reserve	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2017 (Audited)	2,000	24,973	3,000	37,379	(110)	67,242
Loss and total comprehensive expense for the period	-	-	-	(665)	-	(665)
At 31 March 2017 (Unaudited)	2,000	24,973	3,000	36,714	(110)	66,577
At 1 January 2018 (Audited)	2,000	24,973	3,000	30,642	477	61,092
Loss and total comprehensive expense for the period	-	-	-	(2,727)	-	(2,727)
At 31 March 2018 (unaudited)	2,000	24,973	3,000	27,915	477	58,365

Note:

- a) The special reserve represents the difference between the nominal value of shares of Keen Ocean Industrial Limited at the date on which it was acquired by Keen Ocean Electronics Co., Ltd. and the consideration was settled by way of issue of 100 ordinary shares by Keen Ocean Electronics Co., Ltd. to the Company pursuant to the reorganisation.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2018

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business is Unit 5, 34th Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong. The Company's shares are listed on GEM of The Stock Exchange of Hong Kong Limited (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 products as well as enamelled copper wires.

In the opinion of the directors of the Company, as at 31 March 2018, Cyber Goodie Limited ("**Cyber Goodie**"), a company incorporated in the British Virgin Islands (the "**BVI**"), is the immediate parent 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 Company and its subsidiaries (collectively referred to as 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 three months ended 31 March 2017 and 2018 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 Rules Governing the listing of securities on GEM of The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

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 2017, except for the adoption of the new and revised HKFRSs that have become effective for its accounting period beginning on 1 January 2018.

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's auditor.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2018

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 as well as enamelled copper wires 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 preparation and principal accounting policies. Accordingly, the Group has only one single operating segment and no further analysis of this single segment is presented.

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

	For the three months ended 31 March	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Sales of transformers	19,134	18,731
Sales of switching mode power supply	478	365
Sales of electronic parts and products as well as enamelled copper wires	18,749	15,498
	38,361	34,594

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2018

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 customers		Non-current assets	
	For the three months ended 31 March		For the three months ended 31 March	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Hong Kong	5,119	5,370	1,218	1,551
PRC	8,945	9,943	7,730	6,756
Europe	6,266	9,203	–	–
United States	14,045	6,557	–	–
Others	3,986	3,521	–	–
	38,361	34,594	8,948	8,307

4. OTHER INCOME

	For the three months ended 31 March	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Governments grants	24	–
Bank interest income	61	25
	85	25

5. FINANCE COSTS

	For the three months ended 31 March	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Interest on bank borrowings	412	292

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2018

6. LOSS BEFORE TAX

	For the three months ended 31 March	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Loss before tax has been arrived at after charging:		
Auditor's remuneration	114	171
Depreciation of plant and equipment	523	437
Cost of inventories sold	23,508	19,185
Minimum lease payment paid under operating leases	745	711
Research and development expenses	738	572
Directors' emoluments		
– Salaries and other benefits	337	368
– Retired benefit contributions	15	13
	352	381
Staff salaries and other benefits	2,239	2,296
Staff retirement benefit contributions	178	177
	2,417	2,473
Total staff costs (including directors' emoluments)	2,769	2,854

7. INCOME TAX EXPENSES

	For the three months ended 31 March	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Current tax:		
Hong Kong Profits Tax	–	14
PRC Enterprise Income Tax	–	–
	–	14

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the three months ended 31 March 2018 (for the three months ended 31 March 2017: HK\$14,000). The amount provided for the three months ended 31 March 2017 was calculated at 16.5% based on the assessable profit for that period.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2018

No provision for PRC enterprise income tax is required since the Group has no assessable profit for the three months ended 31 March 2018. 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%.

8. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2018 (2017: nil).

9. LOSS PER SHARE

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

	For the three months ended 31 March	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Loss:		
Loss for the purpose of basic loss per share	(2,727)	(665)
	'000	'000
Numbers of shares:		
Weighted average number of ordinary shares for the purpose of basic loss per share	200,000	200,000

No diluted loss per share for the three months ended 31 March 2018 and for the three months ended 31 March 2017 was presented as there were no potential ordinary shares in issue.

OTHER INFORMATION

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 31 March 2018, 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 (“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 31 March 2018, 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 31 March 2018, 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.

DIVIDENDS

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2018 (for the three months ended 31 March 2017: nil).

SHARE OPTION SCHEME

The Company has a share option scheme which was approved and adopted by the shareholders of the Company by way of the written resolutions passed on 2 February 2016 (“**Share Option Scheme**”). No share options were granted, exercised or cancelled by the Company under the Share Option Scheme during the period from 1 January 2018 to 31 March 2018 and there were no outstanding share options under the Share Option Scheme as at 31 March 2018 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 2018 to 31 March 2018 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).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the period from 1 January 2018 to 31 March 2018, 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.

OTHER INFORMATION

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 2018 to 31 March 2018.

DEED OF NON-COMPETITION

A deed of non-competition (the "**Deed of Non-competition**") dated 2 February 2016 was entered into by Cyber Goodie Limited, a limited liability company incorporated in the British Virgin Islands, and Mr. Chung Chi Hang, Larry in favour of the Company (for the Company and for the benefit of its subsidiaries) regarding non-competition undertakings. The details of the Deed of Non-competition have been disclosed in the prospectus of the Company dated 17 February 2016 under the section headed "Relationship with our Controlling Shareholders" and the non-competition undertaking has become effective from the Listing Date.

COMPETITION AND CONFLICT OF INTERESTS

As far as the Directors are aware of, none of the Directors nor the controlling shareholders nor any of their respective associates (as defined in the GEM Listing Rules) had any business or interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group or had any other conflict of interests with the Group during the three months ended 31 March 2018.

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 31 March 2018.

AUDIT COMMITTEE

The Board has established an audit committee (the "**Audit Committee**") on 2 February 2016, which operates under terms of reference approved by the Board. The primary duties of the Audit Committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management system of the Group, to oversee the audit process, to develop and review the policies of the Group and to perform other duties and responsibilities as assigned by the Board.

The Audit Committee currently comprises three independent non-executive Directors, namely Mr. 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 three months ended 31 March 2018.

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 2018 and up to 31 March 2018, the Company has complied with the CG Code.

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

Hong Kong, 7 May 2018

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.