

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.

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*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.*

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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. Tang Sze Wo

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. Tang Sze Wo

Nomination committee

Mr. Li Chung Pong, Stephen (*Chairman*)
 Mr. Tang Sze Wo
 Mr. Chung Tin Shing

Remuneration committee

Mr. Tang Sze Wo (*Chairman*)
 Mr. Wong Choi Chak
 Mr. Chung Chi Hang, Larry

Risk management committee

Mr. Chung Tin Shing (*Chairman*)
 Mr. Wong Shek Fai, Johnson
 Mr. Tang Sze Wo

AUTHORISED REPRESENTATIVES

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

COMPANY'S WEBSITE

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

AUDITOR

Deloitte Touche Tohmatsu
 35/F., One Pacific Place
 88 Queensway
 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
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 Grand Cayman KY1-1111
 Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN CHINA

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 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
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 9 Hoi Shing Road
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 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, in particular, transformers, switching mode power supplies, and other electronic parts and components. The Group sells its products domestically and to overseas customers. Customers are mainly manufacturers and trading entities.

The Group's production facilities are located at He Yuan City, Guangdong, the People's Republic of China ("PRC"). All power supply products were manufactured and sold under the Group's brand name called "Keen Ocean" while all electronic parts and components were sold on an "original equipment manufacturer" basis. Among the products sold, transformers, in particular toroidal transfers, had the highest profit margin and represented approximately 49.81% of total sales for the three months ended 31 March 2016 (three months ended 31 March 2015: 41.94%). The percentage sales for switching mode power supplies and electronic parts and components represented approximately 1.27% (three months ended 31 March 2015: 3.16%) and 48.92% (three months ended 31 March 2015: 54.90%) respectively of the total sales for the three months ended 31 March 2016.

Like previous years, business performance of the Group for the first quarter was temporarily impacted by slower order intake from customers and labour supply disruptions as a result of Mainland workers returning home for the long Chinese New Year holiday. As a result, plant capacity utilization in this quarter was lower than the previous quarter.

Due to an increasing number of Mainland manufacturers sourcing their products through the internet, the Group has established an online sales force focusing on the sales of transformers through the internet to customers in PRC. The initial response was encouraging as some potential customers have shown their interests in using the Group's transformers for their end products. The Group has sent some samples to these potential customers for their testing and evaluation.

Financial Review

The Group's revenue decreased by approximately HK\$13.0 million, or 31.03%, from approximately HK\$41.9 million for the three months ended 31 March 2015 to HK\$28.9 million for the three months ended 31 March 2016. Such decrease was primarily due to the slow orders placed by existing customers as a result of uncertain global economic environment, especially customers from the Europe and United States. Cost of sales decreased by approximately HK\$11.1 million, or 32.74%, from approximately HK\$33.9 million for the three months ended 31 March 2015 to approximately HK\$22.8 million for the three months ended 31 March 2016. Such decrease was mainly due to the corresponding decrease in sales during the three months ended 31 March 2016 and the fall in price of copper, which is one of the major raw materials for producing the Group's transformers and power supply switching modes. The Group's gross profit decreased by approximately HK\$1.9 million, or 23.8%, from approximately HK\$8.0 million for the three months ended 31 March 2015 to approximately HK\$6.1 million for the three months ended 31 March 2016. Gross profit margin increase from approximately 19.2% for the three months ended 31 March 2015 to approximately 21.0% for the three months ended 31 March 2016. Such increase was mainly due to the reduction in production cost, especially saving in cost of raw materials as a result of fall in copper price and the Group's strategy to maintain the selling price.

MANAGEMENT DISCUSSION AND ANALYSIS

Other income increased by approximately HK\$141,000 from approximately HK\$148,000 for the three months ended 31 March 2015 to approximately HK\$289,000 for the three months ended 31 March 2016. Such increase was mainly due to the increase in sales of scrap materials during the three months ended 31 March 2016.

Selling and distribution expenses decreased to approximately HK\$1.2 million for the three months ended 31 March 2016 (three months ended 31 March 2015: approximately HK\$1.3 million). Despite such decrease, there was an increase in transportation charges for the three months ended 31 March 2016 as compared with corresponding period last year. This was due to the fact that sales for the first quarter comprised more small size orders which caused an increase in cost of logistics as a result of increase in frequency of goods delivery.

Administrative expenses increased by approximately HK\$0.4 million from approximately HK\$4.9 million for the three months ended 31 March 2015 to approximately HK\$5.3 million for the three months ended 31 March 2016. The increase was mainly due to the increase in expenditures as a result of increase in headcount of senior management during the three months ended 31 March 2016.

The Group has recognised non-recurring listing expenses of approximately HK\$6.2 million as expenses for the three months ended 31 March 2016 (three months ended 31 March 2015: HK\$3.6 million).

Finance costs decreased by approximately HK\$82,000 from approximately HK\$388,000 for the three months ended 31 March 2015 to approximately HK\$306,000 for the three months ended 31 March 2016. Such decrease was mainly due to the decrease in bank borrowings and the factoring services as a result of decrease in sale revenue.

Income tax expenses decreased by approximately HK\$362,000 from approximately HK\$376,000 for the three months ended 31 March 2015 to approximately HK\$14,000 for the three months ended 31 March 2016. Such decrease was mainly due to decrease in provision of Hong Kong profits tax and PRC Enterprise Tax as a result of decrease in assessable profit for the three months ended 31 March 2016 as compared with the corresponding period last year.

As a result of the above, the Group recorded a loss attributable to owners of the Company of approximately HK\$6.8 million for the three months ended 31 March 2016 (three months ended 31 March 2015: loss of approximately HK\$2.4 million)

Prospect

Business continues to grow after the Chinese New Year holiday as customers started to gear up their production for the second quarter. Hence, the Group manufacturing plant experiences improved capacity utilization since March 2016 with all workers returning to work after the Chinese New Year.

The Group plans to launch the newly developed power amplifier products in the second quarter in 2016. Sample products have been sent to customers for approval.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group has established an online sales team in promoting the sale of transformers for the market in PRC. The Group received encouraging feedback from potential customers showing their interest in the transformers. The Group expects new orders to be placed from these potential customers after they satisfy with the testing results.

If result of the online transformer sales is proved to be encouraging, the Group will plan to set up another online sales team focusing on selling of power supply switching mode products in PRC.

Looking forward to the second quarter of 2016 and beyond, the Group expects the power supply products market to remain challenging. Apart from promoting existing products, the Group will continue to develop new products with higher profit margin, upgrade its production capability, solidify relationship with existing customers and widen customer base. The Group will also continue to enhance its efficiency and effectiveness in production processes and improve product quality in order to keep up with customer demands and achieve consistent customer satisfaction despite the global economic uncertainty. This would help the Group to strengthen its relationship with existing customers so as to maintain a consistent growth of a sizable and loyal customer base. By doing so, the Group aims to strengthen its competitiveness in the market, generate sustainable returns and maximize shareholders' wealth.

USE OF PROCEEDS

The shares of the Company were listed on the GEM on 24 February 2016 (the "**Listing Date**"). Net proceeds from the Placing were approximately HK\$16,000,000 after deduction of the underwriting commission and relevant listing expenses. As at 31 March 2016, the Group had applied net proceeds of approximately HK\$0.2 million towards the development of high power switching mode power supply, amplifier board and digital signal processing board, namely the 100W, 250W, 1,500W and 2,000W amplifier board, the 100W, 250W, 1,500W and 2,000W power supply board and the digital signal processing board (medium class) (collectively referred to as the "New Products"). The remaining net proceeds are intended to be applied in accordance with the proposed application but may be at a longer time frame than set forth in the Company's Prospectus.

It was resolved by the Board in a meeting held on 9 May 2016 to slow down the development of the New Products, as a result of the uncertain global economic environment. To combat the possible economic slowdown, the Directors further resolved to relocate the research and development of new product activities from United States to PRC. Such relocation would help the Group to reduce the high research and development expenses without sacrificing the development capability due to abundant supply of experienced but less expensive product development engineers in the PRC. Any saving in expenditure arising from the relocation would continue to be used as new product development within the Group.

FINANCIAL RESULTS

The board of Directors (the “**Board**”) is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the three months ended 31 March 2016, together with the comparative figures for the corresponding period in 2015 as follows:

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

For the three months ended 31 March 2016

	Note	Three months ended 31 March	
		2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Revenue	3	28,859	41,906
Cost of sales		(22,795)	(33,881)
Gross profits		6,064	8,025
Other income	4	289	148
Foreign exchange gain (loss), net		(70)	10
Selling and distribution expenses		(1,217)	(1,347)
Administrative expenses		(5,326)	(4,861)
Listing expenses		(6,203)	(3,642)
Finance costs	5	(306)	(388)
Loss before tax	6	(6,769)	(2,055)
Income tax expenses	7	(14)	(376)
Loss and total comprehensive expense for the period attributable to owners of the Company		(6,783)	(2,431)
Loss per share			
– Basic (HK cents)	9	(4.13)	(1.74)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2016

	Attributable to owners of the Company					Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Special reserve (note a) HK\$'000	Retained profits HK\$'000	Translation reserve HK\$'000	
At 1 January 2015 (Audited)	-	-	3,000	44,136	(110)	47,026
Loss and total comprehensive expense for the period	-	-	-	(2,431)	-	(2,431)
At 31 March 2015 (unaudited)	-	-	3,000	41,705	(110)	44,595
At 1 January 2016 (audited)	-	-	3,000	43,607	(110)	46,497
Loss and total comprehensive expense for the period	-	-	-	(6,783)	-	(6,783)
Issue of shares (note b)	600	32,400	-	-	-	33,000
Capitalisation Issue (note c)	1,400	(1,400)	-	-	-	-
Transaction costs attributable to issue of shares	-	(5,147)	-	-	-	(5,147)
At 31 March 2016 (unaudited)	2,000	25,853	3,000	36,824	(110)	67,567

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 reorganisation.
- On 24 February 2016, the Company placed 60,000,000 new shares at HK\$0.55 per shares for a total gross proceeds of HK\$33,000,000 (the "Placing"). The proceeds (after deduction of underwriting fees and estimated expenses payable by the Company in relation to the Placing) will be used to finance the implementation plan as set forth in the section headed "Statement of Business Objectives and Use of Proceeds" of the prospectus of the Company dated 17 February 2016 (the "Prospectus"). The proceeds of HK\$600,000 representing the par value of the shares of the Company, were credited to the Company's share capital and the remaining proceeds of HK\$32,400,000 before issuing expenses, were credited to share premium account.
- Pursuant to the written resolution passed by the shareholders of the Company on 2 February 2016, after the share premium account of the Company being credited as a result of the Placing, the Directors were authorised to capitalise the amount of approximately HK\$1,400,000 from the amount 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 for allotment and issue to the persons whose names appeared on the register of members of the Company at the close of business on 2 February 2016 in proportion (or as nearly as possible without fractions) to their then respective shareholdings of the Company (the "Capitalisation Issue").

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2016

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 and principal place of business of the Company are disclosed in the corporate information section in this report.

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

The unaudited condensed consolidated financial statements of the Group for the three months ended 31 March 2015 and 2016 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 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 2015, except for the adoption of the new and revised HKFRSs that have become effective for its accounting period beginning on 1 January 2016.

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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2016

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 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:

	Three months ended 31 March	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Sales of transformers	14,375	17,575
Sales of switching mode power supply	367	1,326
Sales of electronic parts and products	14,117	23,005
	28,859	41,906

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 customers Three months ended 31 March		Non-current assets Three months ended 31 March	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Hong Kong	8,202	1,553	575	851
PRC	8,937	9,759	6,928	8,213
Europe	6,296	12,464	–	–
United States	3,604	17,404	–	–
Others	1,820	726	–	–
	28,859	41,906	7,503	9,064

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2016

4. OTHER INCOME

	Three months ended 31 March	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Sales of scrap materials	286	141
Bank interest income	3	7
	289	148

5. FINANCE COSTS

	Three months ended 31 March	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Interest on bank borrowings	306	388

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2016

6. LOSS BEFORE TAX

	Three months ended 31 March	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Loss before tax has been arrived at after charging:		
Auditor's remuneration	200	200
Depreciation of plant and equipment	393	396
Cost of inventories sold	16,359	24,719
Minimum lease payment paid under operating leases	730	742
Research and development expenses	200	150
Directors' emoluments		
– Salaries and other benefits	263	206
– Retired benefit contributions	9	9
	272	215
Staff salaries and other benefits	1,165	906
Staff retirement benefit contributions	52	48
	1,217	954
Total staff costs (including directors' emoluments)	1,489	1,169

7. INCOME TAX EXPENSES

	Three months ended 31 March	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Current tax:		
Hong Kong Profits Tax	14	65
PRC Enterprise Income Tax	–	311
	14	376

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%.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2016

8. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2016 (2015: nil).

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 three months ended 31 March 2016 and 2015.

	Three months ended 31 March	
	2016 HK\$'000 (unaudited)	2015 <i>HK\$'000</i> (unaudited)
Loss:		
Loss for the purpose of calculating basis loss per share for the three months ended	6,783	2,431
	'000	<i>'000</i>
Number of shares:		
Number of ordinary shares for the purpose of calculating basis loss per share	164,396	140,000

Note: The calculation of basic loss per share for the three months ended 31 March 2016 and 2015 are based on the loss for the periods attributable to owners of the Company and the weighted average number of approximately 164,396,000 (2015: 140,000,000) ordinary shares of the Company in issue during the three months ended 31 March 2016 after taking into account the share transfer and allotment and issue of new shares pursuant to the Group's reorganisation and the Placing on the Stock Exchange.

The number of ordinary shares for the purpose of calculating basic loss per share for the three months ended 31 March 2015 has been determined on the assumption that the capitalisation issue had been effective on 1 January 2015.

No diluted loss per share for the current and prior period was presented as there were no dilutive 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 2016, 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 2016, 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 2016, 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.

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 option has been granted under the Share Option Scheme since its adoption.

DIRECTORS’ RIGHT TO ACQUIRE SHARES

Save as disclosed in this report, at no time during the period from the Listing Date to 31 March 2016 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

During the period from the Listing Date to 31 March 2016, 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 the Listing Date to 31 March 2016.

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 three months ended 31 March 2016.

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 2016.

AUDIT COMMITTEE

The board has established an audit committee (the “**Audit Committee**”) on 2 February 2016, which operates under terms of reference approved by the Board. The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Wong Choi Chak, Mr. Li Chung Pong, Stephen and Mr. Tang Sze Wo. 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 2016.

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 the Listing Date and up to the date of this report, 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, 9 May 2016

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. Tang Sze Wo.