

KEEN OCEAN INTERNATIONAL HOLDING LIMITED

(incorporated in the Cayman Islands with limited liability)

Stock Code : 8070



FIRST QUARTERLY REPORT 2022

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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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, include particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company and its subsidiaries (collectively referred 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 date of its posting. This report will also be published on the Company’s website at www.keenocean.com.hk.

CONTENTS

Corporate Information	3
Management Discussion and Analysis	5
Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	9
Unaudited Condensed Consolidated Statement of Changes in Equity	10
Notes to the Unaudited Condensed Consolidated Financial Statements	11
Other Information	15

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

COMPANY SECRETARY

Mr. Tang Siu Fung Calvin

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

ZHONGHUI ANDA CPA LIMITED
23/F, Tower 2, Enterprise Square Five
38 Wang Chiu Road, Kowloon Bay
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 principally engaged in the design, development, production and sale of transformers, switching mode power supplies, other electronic parts and components and others products. The Group sells its products domestically as well as overseas. Customers are mainly manufacturers and trading entities.

Most of the transformers and power supply products were manufactured and sold under the Group's brand name "Keen Ocean", while all electronic parts and components were sold on an original equipment manufacturer (OEM) basis. Among the products manufactured and sold, transformers remained the Group's flagship products and represented approximately 51.4% of the Group's sales for the three months ended 31 March 2022 (for the three months ended 31 March 2021: approximately 46.5%). The switching mode power supply represented approximately 0.8% of the Group's sales for the three months ended 31 March 2022 (for the three months ended 31 March 2021: approximately 2.0%). The electronic parts and components and others products represented approximately 47.8% of the Group's sales for the three months ended 31 March 2022 (for the three months ended 31 March 2021: approximately 51.3%). For the electric healthcare products, no sales had been accounted during the three months ended 31 March 2022 (for the three months ended 31 March 2021: 0.1%) because of the change in customers' demands from our electric healthcare products to our transformers and our electronic parts and components products.

Revenue generated by the Group increased during the period under review as compared to the corresponding period in last year. It was mainly due to the increase in the purchase orders for transformers, and electronic parts and components from several existing customers of the Company during the period to meet the continuing surge in demand for clean energy appliances.

The operating margin has declined during the period under review. It was mainly attributable to the increase in the costs of the raw materials and the production costs during the period under review.

During the period under review, the management of the Group stayed connected with existing customers and closely followed up with the revised delivery schedule in order to maintain and solidify business relationships. The Group continued to place advertisements in renowned industrial magazines. The Group capitalised on the recovery of the manufacturing sector and was able to resume the postponed shipment and/or delivery schedule of goods during the period. However, due to the travel restrictions and the mandatory quarantine measures in response to COVID-19, the Group was not able to promote its products through traditional exhibitions and physical marketing events.

The Group has been paying close attention to the development of the pandemic. The Group has deployed appropriate preventive measures to enhance the vigilance and self-protection awareness of its employees, and to protect them by creating a healthy and hygienic working environment.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group's revenue increased by approximately HK\$15.5 million, or 26.9%, from approximately HK\$57.5 million for the three months ended 31 March 2021 to approximately HK\$73.0 million for the three months ended 31 March 2022. Such increase was primarily because some existing customers of the Company had increased the placement of purchase orders for transformers, and electronic parts and components during the period under review.

Cost of sales increased by approximately HK\$17.1 million, or 37.1%, from approximately HK\$46.1 million for the three months ended 31 March 2021 to approximately HK\$63.2 million for the three months ended 31 March 2022. The increase was in line with the increase in revenue and was primarily due to the increase in the costs of raw materials and the production costs during the period under review.

As a result, the Group's gross profit decreased by approximately HK\$1.7 million, or 14.8%, from approximately HK\$11.5 million for the three months ended 31 March 2021 to approximately HK\$9.8 million for the three months ended 31 March 2022. While gross profit margin decreased from 19.9% for the three months ended 31 March 2021 to 13.4% for the three months ended 31 March 2022. Such decrease was mainly attributable to the increase in the costs of raw materials.

Other income decreased by approximately HK\$402,000, or 98.8%, from approximately HK\$407,000 for the three months ended 31 March 2021 to approximately HK\$5,000 for the three months ended 31 March 2022. Such decrease was mainly due to the reason that no subsidies were received by the Group under the Anti-epidemic set up by the Government of the Hong Kong Special Administrative Region during the period under review, as compared to approximately HK\$400,000 of such subsidies were received in corresponding period in 2021.

Other gains increased by approximately HK\$197,000, or 323.0%, from approximately HK\$61,000 for the three months ended 31 March 2021 to approximately HK\$258,000 for the three months ended 31 March 2022. Such increase was mainly attributable to the appreciation of Renminbi against US dollars during the period as some of the sales were billed in Renminbi but settled in US dollars at a pre-determined rate fixed on invoice date.

Selling and distribution expenses increased by approximately HK\$0.1 million, or 5.0%, from approximately HK\$2.0 million for the three months ended 31 March 2021 to approximately HK\$2.1 million for the three months ended 31 March 2022. Such increase was mainly attributable to the increase of expenses as a result of the corresponding increase in revenue.

MANAGEMENT DISCUSSION AND ANALYSIS

Administrative expenses remained stable at approximately HK\$5.1 million for the three months ended 31 March 2022 and the corresponding period in 2021.

Finance costs increased by approximately HK\$196,000, or 45.7%, from approximately HK\$429,000 for the three months ended 31 March 2021 to approximately HK\$625,000 for the three months ended 31 March 2022. Such increase was mainly attributable to the increase of the short-term loans during the period under review.

Income tax expenses changed from nil for the three months ended 31 March 2021 to approximately HK\$399,000 for the three months ended 31 March 2022. Such change was because the Group did not have tax losses to set off assessable profit for the three months ended 31 March 2022, and no provision for Profits tax has been made since there were sufficient tax losses brought forward to set off against assessable profit for the corresponding period in 2021.

As a result of the above, the Group recorded a profit of approximately HK\$1.8 million for the three months ended 31 March 2022 (for the three months ended 31 March 2021: approximately HK\$4.4 million).

PROSPECT

The spread of COVID-19 including its new variants has triggered huge economic uncertainties and disruption to production and supply chains around the world. The Group had experienced business challenges including volatile demand patterns, inconsistent shipment timeline as well as inflated delivery costs, material costs and production costs.

Despite during the period under review, the global economic output demonstrated recovery comparing to the corresponding period in 2021, the management of the Group remains conservative and expects the economy may remain below pre-pandemic trends for a prolonged period. On the other hand, the management of the Group also expects that the increase of the interest rates by Federal Reserve shall likely to result in lower material costs and hence decrease the cost burden to the Group's production lines.

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

MANAGEMENT DISCUSSION AND ANALYSIS

In addition, the management spotted a rising demand of clean energy appliances, particularly the electronic parts and components of the Group, as the global policies leaned more towards renewability and sustainability. Besides, after continuous delivery of products with satisfactory quality control and the strong demographics and growing consumption, the Group recorded increasing orders from the developed customer base. Furthermore, in order to meet the changing demands and expectations from our customers, the resources used in the electric healthcare products will be reallocated to other products in our Group. With the increased production capacity during the period under review to cope with the increasing demand from the customers, the management is optimistic about the market and confident that the Group can continue to accelerate business growth. In the meantime, the Group pays careful attention to the development of the pandemic and accordingly evaluates the impact on its financial position and performance. Also, the management of the Group monitors any changes to regulations and instructions in compliance with industrial safety and public health policies; and deploys appropriate preventive measures to enhance the protection of the Group's employees by providing a healthy and hygienic environment both in the office and at the sites.

In the long run, the Group is confident that it shall explore opportunities after the pandemic and lay the foundations for a durable and sustainable growth with its continuous effort and solid customer base.

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

For the three months ended 31 March 2022

	Notes	For the three months ended 31 March	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Revenue	3	72,995	57,542
Cost of sales		(63,227)	(46,073)
Gross profit		9,768	11,469
Other income	4	5	407
Other gains		258	61
Selling and distribution expenses		(2,128)	(1,951)
Administrative expenses		(5,052)	(5,128)
Finance costs	5	(625)	(429)
Profit before tax	6	2,226	4,429
Income tax expenses	7	(399)	–
Profit for the period		1,827	4,429
Other comprehensive expenses after tax: <i>Items that may be reclassified to (loss)/profit</i>			
Exchange differences on translating foreign operations		(40)	(4)
Total comprehensive income/(expenses) for the period		1,787	4,425
Profit for the period attributable to:			
Equity holders of the Company		1,827	4,429
Non-controlling interests		–	–
		1,827	4,429
Total comprehensive income/(expenses) for the period attributable to:			
Equity holders of the Company		1,827	4,429
Non-controlling interests		–	–
		1,827	4,429
Earning per share			
Basic (HK cents)	9	0.91	2.21

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2022

	Attributable to owners of the Company					Total	Non-controlling Interest	Total equity
	Share capital	Share premium	Special reserve	Retained profits	Translation reserve			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000			
At 1 January 2021 (Audited)	2,000	24,973	3,000	22,838	3,121	55,932	6	55,938
Profit/(Loss) and total comprehensive income for the period	-	-	-	4,429	(4)	4,425	-	4,425
At 31 March 2021 (Unaudited)	<u>2,000</u>	<u>24,973</u>	<u>3,000</u>	<u>27,267</u>	<u>3,117</u>	<u>60,357</u>	<u>6</u>	<u>60,363</u>
At 1 January 2022 (Audited)	2,000	24,973	3,000	35,071	4,514	69,558	(7)	69,551
Profit/(Loss) and total comprehensive income for the period	-	-	-	1,827	(40)	1,787	-	1,787
At 31 March 2022 (Unaudited)	<u>2,000</u>	<u>24,973</u>	<u>3,000</u>	<u>36,898</u>	<u>4,474</u>	<u>71,345</u>	<u>(7)</u>	<u>71,338</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2022

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.

The Company is an investment holding company. The principal activities of the Group are the manufacture and trading of transformers, switching mode power supply, electronic parts and other components.

As at 31 March 2022, Cyber Goodie Limited ("**Cyber Goodie**"), a company incorporated in the British Virgin Islands (the "**BVI**"), is the immediate holding company of the Company and Mr. Chung Chi Hang Larry is the ultimate controlling party of the Company.

The functional currency of the Company is United States dollars ("**US\$**") and the presentation currency of the Group is Hong Kong dollars ("**HK\$**") as the Directors consider that it is easier to monitor the financial performance of the Group.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements of the Group for the three months ended 31 March 2022 and 31 March 2021 have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and the disclosures required by the GEM Listing Rules.

In the current period, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2022. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards ("**HKAS**"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current period and prior year.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

The unaudited condensed consolidated financial statements have been prepared under historical cost basis and not been reviewed by the Company's auditor. Adjustments may be identified during the course of annual audit to be performed by the Company's auditor.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2022

3. REVENUE AND SEGMENTAL INFORMATION

The Group's operation is solely derived from the manufacture and sale of transformers, switching mode power supply, electronic parts and other components during the reporting period. For the purpose of resource allocation and performance assessment, the chief operating decision maker (i.e. the chief executive officer of the Company) reviewed the overall results and financial position of the Group as a whole which are prepared based on the same accounting policies as those adopted in the financial statements for the year ended 31 December 2021. Accordingly, the Group has only one single operating segment and no further analysis of this single segment is presented.

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

	For the three months ended 31 March	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Sales of transformers	37,506	26,779
Sales of switching mode power supply	598	1,145
Sales of electronic parts and components	34,891	29,536
Sales of electric healthcare products	–	82
	<u>72,995</u>	<u>57,542</u>

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	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Hong Kong	4,329	2,806	938	569
PRC	10,267	10,732	15,373	15,080
Europe	12,405	12,479	–	–
United States	8,864	7,800	–	–
India	16,365	10,321	–	–
Others	20,765	13,404	–	–
	<u>72,955</u>	<u>57,542</u>	<u>16,311</u>	<u>15,649</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2022

4. OTHER INCOME

	For the three months ended 31 March	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Bank interest income	4	2
Government incentive	1	405
	<u>5</u>	<u>407</u>

5. FINANCE COSTS

	For the three months ended 31 March	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Leases interests	49	63
Interest on bank borrowings	576	366
	<u>625</u>	<u>429</u>

6. PROFIT BEFORE TAX

	For the three months ended 31 March	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Profit before tax has been arrived at after charging:		
Auditor's remuneration	136	123
Depreciation of plant and equipment	499	507
Depreciation of right-of-use asset	513	505
Cost of inventories sold	57,292	34,562
Research and development expenses	721	828
Directors' emoluments		
– Salaries and other benefits	341	365
– Retired benefit contributions	12	12
	<u>353</u>	<u>377</u>
Staff salaries and other benefits	3,856	2,811
Staff retirement benefit contributions	305	217
	<u>4,161</u>	<u>3,028</u>
Total staff costs (including directors' emoluments)	<u>4,514</u>	<u>3,405</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2022

7. INCOME TAX EXPENSES

	For the three months ended 31 March	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Current tax:		
Hong Kong Profits Tax	399	–
PRC Enterprise Income Tax	–	–
	399	–

Provision of Hong Kong Profits Tax is calculated at 16.5% of the assessment profit for both periods.

Provision of PRC Enterprise Income 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 both periods (for the three months ended 31 March 2021, the Group has unused tax losses of approximately HK\$2,666,000. No deferred tax asset has been recognised due to the unpredictability of future profit streams. The losses will expire in 2021 to 2023).

8. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2022 (for the three months ended 31 March 2021: nil).

9. EARNING PER SHARE

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

	For the three months ended 31 March	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Earning:		
Profit for the period attribute to owners of the Company for the purpose of calculating basic earnings per share	1,827	4,429
	'000	'000
Numbers of shares:		
Weighted average number of ordinary shares for the purpose of basic earning per share	200,000	200,000

No diluted earning per share for the three months ended 31 March 2022 and for the three months ended 31 March 2021 was presented as there were no potential ordinary shares in issue.

DISCLOSURE OF INTERESTS**(a) Interests and short positions 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 2022, 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, 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 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	Beneficial owner	10 (long position)	100%

OTHER INFORMATION

Save as disclosed above, as at 31 March 2022, 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 2022, the Directors and chief executive of the Company were not aware of any person or a corporation having an interest or short position in the shares and underlying shares of the Company which were required to be disclosed to the Company under the provision of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO.

CHANGES IN THE BOARD AND THE DIRECTOR'S INFORMATION

There are no changes in the Board and the information of the Directors since the date of the Company's annual report 2021.

DIRECTORS' RIGHT TO ACQUIRE SHARES

Save as disclosed in this report, at no time during the period from 1 January 2022 to 31 March 2022 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).

DIVIDENDS

The Board does not recommend any dividend for the three months ended 31 March 2022 (for the three months ended 31 March 2021: 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 (the "**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 2022 to 31 March 2022 and there were no outstanding share options under the Share Option Scheme as at 31 March 2022 and up to the date of this report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the period from 1 January 2022 to 31 March 2022, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

EVENTS AFTER THE REPORTING PERIOD

The Group has closely monitored and responded to the current situation of COVID-19, and considers that there has not been significant impact on the Company's operation and management. As far as the Directors are aware, there were no significant events after the reporting period up to the date of this report.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "**Code of Conduct**"). Having made specific enquiry of all the Directors, all of them confirmed that they had fully complied with the required standard of dealings as set out in the Code of Conduct during the period from 1 January 2022 to 31 March 2022.

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 date of listing of the Company on GEM of the Stock Exchange on 24 February 2016.

COMPETITION AND CONFLICT OF INTERESTS

As far as the Directors are aware of, none of the Directors or the controlling shareholders of the Company or 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 2022.

AUDIT COMMITTEE

The Board has established an audit committee (the "**Audit Committee**") on 2 February 2016, which operates under terms of reference approved by the Board. The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Cheung Yee Tak, Jonathan, Mr. Li Chung Pong, Stephen and Mr. Lam Chon Loi. Mr. Cheung Yee Tak, Jonathan is the chairman of the Audit Committee. The Audit Committee has reviewed the unaudited condensed consolidated financial results of the Group for the three months ended 31 March 2022. There is no disagreement by the Audit Committee with the accounting treatment adopted by the Company.

OTHER INFORMATION

RISK MANAGEMENT COMMITTEE

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

CORPORATE GOVERNANCE PRACTICES

The Directors consider that incorporating the core elements of good corporate governance in the management structure and internal control procedures of the Group would help to balance the interest of the shareholders, customers and employees of the Company. The Board has adopted the principles and the code provisions of the Corporate Governance Code contained in Appendix 15 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.

During the period from 1 January 2022 to 31 March 2022 and up to the date of this report, the Company has complied with the CG Code.

PUBLICATION OF FIRST QUARTERLY RESULTS AND FIRST QUARTERLY REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This report is published on the websites of the Stock Exchange (www.hkgem.com) and the Company (www.keenocan.com.hk). The unaudited first quarterly report of the Company for the three months ended 31 March 2022 containing all the information required by the GEM Listing Rules will be dispatched to the Company’s shareholders and published on the above websites in due course.

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

Hong Kong, 10 May 2022

As at the date of this report, the executive Directors are Mr. Chung Chi Hang, Larry, Mr. Chung Tin Shing and Mr. Wong Shek Fai, Johnson; and the independent non-executive Directors are Mr. Cheung Yee Tak, Jonathan, Mr. Li Chung Pong, Stephen and Mr. Lam Chon Loi.