

THIRD QUARTERLY REPORT 2015



STEED ORIENTAL (HOLDINGS) COMPANY LIMITED 駿東（控股）有限公司

(incorporated in the Cayman Islands with limited liability)
Stock Code: 8277



CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE

GEM of the Stock Exchange 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 of the Stock Exchange mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM of the Stock Exchange, there is a risk that securities traded on GEM of the Stock Exchange 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 of the Stock Exchange.

This report, for which the directors (the “Directors”) of Steed Oriental (Holdings) Company Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (“GEM Listing Rules”) for the purpose of giving information with regard to the issuer. 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 document misleading.

The board of directors of the Company (the “Board”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the nine months ended 31 December 2015, together with comparative unaudited figures for the corresponding period in 2014 as follows:

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

For the nine months ended 31 December 2015

		(Unaudited) Three months ended 31 December		(Unaudited) Nine months ended 31 December	
	NOTES	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Revenue	4	63,014	84,029	205,540	254,990
Cost of goods sold		(56,694)	(71,688)	(179,063)	(221,143)
Gross profit		6,320	12,341	26,477	33,847
Other income		14	82	176	398
Other (losses) gains		(1,665)	202	(2,879)	1,491
Selling and distribution costs		(1,523)	(2,423)	(7,936)	(7,067)
Administrative expenses		(7,388)	(5,729)	(17,858)	(14,995)
Listing expenses		–	–	–	(1,200)
Finance costs		(359)	(182)	(945)	(832)
(Loss) profit before taxation		(4,601)	4,291	(2,965)	11,642
Taxation	5	(98)	(800)	(1,639)	(3,359)
(Loss) profit for the period attributable to owners of the Company		(4,699)	3,491	(4,604)	8,283

	NOTES	(Unaudited) Three months ended 31 December		(Unaudited) Nine months ended 31 December	
		2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Other comprehensive (expense) income					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translating foreign operations		(359)	(345)	(1,418)	122
Fair value (loss) gain on available-for-sale investments		(29)	53	(545)	126
Reclassification adjustment relating to available-for-sale investments disposed of during the period		505	–	399	–
Other comprehensive income (expense) for the period		117	(292)	(1,564)	248
Total comprehensive (expense) income for the period attributable to owners of the Company		(4,582)	3,199	(6,168)	8,531
(Loss) earnings per share (HK cents)	7				
– Basic		(2.35)	2.92	(2.30)	6.93
– Diluted		N/A	N/A	N/A	N/A

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 December 2015

	Attributable to owners of the Company							
	Capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000	Share- based payment reserve HK\$'000	Investment revaluation reserve HK\$'000	Translation reserve HK\$'000	Accumulated (losses) profits HK\$'000	Total HK\$'000
At 1 April 2014 (audited)	790	–	7,223	–	(104)	(645)	(5,409)	1,855
Profit for the period	–	–	–	–	–	–	8,283	8,283
Exchange differences on translation	–	–	–	–	–	122	–	122
Fair value gain on available-for-sale investments	–	–	–	–	126	–	–	126
Other comprehensive income for the period	–	–	–	–	126	122	–	248
Total comprehensive income for the period	–	–	–	–	126	122	8,283	8,531
At 31 December 2014 (unaudited)	790	–	7,223	–	22	(523)	2,874	10,386
At 1 April 2015 (audited)	2,000	51,628	41,355	–	106	(557)	(3,290)	91,242
Loss for the period	–	–	–	–	–	–	(4,604)	(4,604)
Exchange differences on translation	–	–	–	–	24	(1,442)	–	(1,418)
Fair value loss on available-for-sale investments	–	–	–	–	(545)	–	–	(545)
Reclassification adjustment relating to available-for-sale investments disposed of during the period	–	–	–	–	399	–	–	399
Other comprehensive expense for the period	–	–	–	–	(122)	(1,442)	–	(1,564)
Total comprehensive expense for the period	–	–	–	–	(122)	(1,442)	(4,604)	(6,168)
Recognition of share-based payments	–	–	–	2,015	–	–	–	2,015
At 31 December 2015 (unaudited)	2,000	51,628	41,355	2,015	(16)	(1,999)	(7,894)	87,089

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 7 August 2013 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Its shares have been listed on GEM of the Stock Exchange on 23 February 2015.

The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. Its principal place of business is located at 11th Floor, Prosperity Industrial Building, 89 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong. The Company is an investment holding company. The Group is principally engaged in sourcing, manufacturing and sale of plywood products and trading of round logs.

The unaudited condensed consolidated financial statements are presented in Hong Kong dollars ("HK\$"), while the functional currency of the Company is United States dollars. The reason for selecting Hong Kong dollars as its presentation currency is because the directors of the Company considered it is more beneficial for the users of the unaudited condensed consolidated financial statements as the Company's shares are listed on the Stock Exchange.

2. BASIS OF PRESENTATION

The operation of the Group has been carried out by CD Enterprises and its subsidiaries prior to the group reorganisation (the "Group Reorganisation") set out below. CD Enterprises was wholly owned by Mr. Huang Dong Sheng ("Mr. Huang"), Ms. Wong Sut Keng (sister of Mr. Huang) and Ms. Wong Hang Kuen (another sister of Mr. Huang) (collectively referred to as the "Huang's Family") before the acquisition of the Green Global Group in March 2013. Upon completion of the acquisition of the Green Global Group, CD Enterprises was owned as to 70% by the investment holding companies owned by the Huang's Family and 30% by the 9 individual shareholders of Duke Glory, who were the then beneficial shareholders of Green Global (the "Green Global Shareholders").

To effect the Group Reorganisation, on 9 February 2015, each of the investment holding companies owned by the Huang's Family and the Green Global Shareholders transferred their respective shareholdings in CD Enterprises, which in aggregate amounting to HK\$780,000, to the Company in consideration of the allotment and issuance of the Company's shares. Upon completion of the transfer, the Company became the holding company of CD Enterprises on 9 February 2015.

The Group resulting from the Group Reorganisation, which involves interspersing the Company between CD Enterprises and the then shareholders of CD Enterprises, is regarded as a continuing entity. Accordingly, the unaudited condensed consolidated statement of profit or loss and other comprehensive income for the nine months ended 31 December 2014 have been prepared to include the results of the companies now comprising the Group as if the group structure upon the completion of the Group Reorganisation had been in existence for that period.

3. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements 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 Hong Kong Companies Ordinance. In addition, the unaudited condensed consolidated financial statements include applicable disclosures required by the GEM Listing Rules.

The accounting policies adopted in preparing the unaudited condensed consolidated financial statements for the periods are consistent with those followed in the preparation of the annual report for the year ended 31 March 2015. The unaudited condensed consolidated financial statements have been reviewed by the audit committee of the Company

The Group has adopted all of the new and revised standards, amendments and interpretations which are relevant to its operations and effective for the accounting periods beginning on or after 1 April 2015. The adoption of these new and revised standards, amendments and interpretation does not have significant impact on the accounting policies of the Group, and the amounts reported for the current period and prior periods.

The Group has not early adopted the new and revised standards that have been issued but are not yet effective. The Directors anticipate that the application of the new and revised standards will have no material impact on the results and financial position of the Group.

4. REVENUE AND SEGMENT INFORMATION

The following is an analysis of the Group's revenue from its major products:

	(Unaudited) Three months ended 31 December		(Unaudited) Nine months ended 31 December	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
General plywood	48,027	70,781	145,004	218,507
Packing plywood	8,005	7,312	23,884	22,668
Structural panel	536	356	1,609	1,805
Floor base	6,324	5,359	16,328	11,108
Round Logs	–	–	16,909	–
Others	122	221	1,806	902
	63,014	84,029	205,540	254,990

Information about the Group's revenue from external customers is presented based on the geographical location of delivery of goods as below:

	(Unaudited) Three months ended 31 December		(Unaudited) Nine months ended 31 December	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Japan	56,762	76,520	167,054	228,536
Thailand	3,838	2,619	28,888	12,140
South Korea	–	558	415	558
Hong Kong	1,886	2,402	5,792	8,054
Other countries	528	1,930	3,391	5,702
	63,014	84,029	205,540	254,990

5. TAXATION

	(Unaudited) Three months ended 31 December		(Unaudited) Nine months ended 31 December	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Current tax				
Hong Kong Profits Tax	201	380	641	1,130
People's Republic of China (the "PRC") Enterprise Income Tax ("EIT")	(8)	287	1,070	1,903
	193	667	1,711	3,033
Deferred taxation (credit) charge for the period	(95)	133	(72)	326
	98	800	1,639	3,359

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the periods.

Under the Law on EIT of the PRC, the statutory tax rate of the PRC subsidiaries is 25% during the periods.

6. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the nine months ended 31 December 2015.

7. (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share for the period is based on the following data:

	(Unaudited) Three months ended 31 December		(Unaudited) Nine months ended 31 December	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
(Loss) profit for the period attributable to owners of the Company used in the basic (loss) earnings per share calculation	(4,699)	3,491	(4,604)	8,283

	(Unaudited) Three months ended 31 December		(Unaudited) Nine months ended 31 December	
	2015	2014 (Note)	2015	2014 (Note)
Weighted average number of ordinary shares used in the basic (loss) earnings per share calculation	200,000,000	119,483,830	200,000,000	119,483,830

Note: The weighted average number of ordinary shares in issue during the nine months ended 31 December 2014 is calculated on the assumption that the Group Reorganisation has been effective on 1 April 2014, and has been adjusted to reflect the capitalisation issue of 148,744,600 ordinary shares of HK\$0.01 each on 23 February 2015.

The diluted loss per share for the three months and nine months ended 31 December 2015 has not been taken into account the effect of outstanding share options as their exercise would result in a decrease in loss per share.

There is no dilutive potential ordinary shares for the Company's share options for the three months and nine months ended 31 December 2014.

MANAGEMENT DECISIONS AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in sourcing, manufacturing and sale of plywood products and trading of round logs. The Group's major plywood products can be categorised into (i) general plywood used in interior applications of buildings and manufacture of wooden furniture for home and office; (ii) packing plywood used as packaging material; (iii) structural panel used for construction; (iv) floor base used for flooring; and (v) other plywood products.

Since the competition in plywood market between countries is still very keen, and the downward trend in the plywood imports in Japan since April 2015, during the nine months ended 31 December 2015, the Group's sales volume of plywood products reduced by about 25% from approximately 71,728 cubic meters for the nine months ended 31 December 2014 to approximately 53,748 cubic meters in current period.

According to the International Tropical Timber Organisation ("ITTO"), from April to October 2015 plywood imports from three major import countries were down 20% compared to the same period in 2014. Over the same period plywood imports from Indonesia have fallen 18%, by 19% for Malaysia and by 33% for China. In order to minimise the reliance on the plywood market, the Group started developing the trading of round logs in the second quarter, and may further develop this trading business in the coming future. The Group is also expanding the customer base to minimise the reliance on a single economy together with the expanding sources of manufacturing to minimise the overall manufacturing cost.

FINANCIAL REVIEW

Revenue

During the nine months ended 31 December 2015, the Group recorded a revenue of approximately HK\$205,540,000, representing a decrease of approximately 19.4% compared to the same period in 2014. The decrease was mainly attributable to the decrease in sales volume by approximately 25% due to downward trend of the demand from Japan compared to the corresponding period in 2014.

Gross profit

Gross profit margin of the Group decreased from approximately 13.3% for the nine months ended 31 December 2014 to approximately 12.9% for the nine month ended 31 December 2015. Such decrease was mainly due to the increase in raw material price of veneers.

Other (losses) gains

The Group's other gains of approximately HK\$1.5 million for the nine months ended 31 December 2014 saw a turnaround to a loss of approximately HK\$2.9 million during the current period. It is principally due to a net exchange loss of approximately HK\$2.0 million recorded by the Group resulting from the devaluation of the Renminbi during the nine months ended 31 December 2015. Other losses also included a fair value loss on the derivative financial instruments of approximately HK\$0.8 million during the same period.

Selling and distribution costs

The selling and distribution costs of the Group increased by approximately 12.3% to approximately HK\$7.9 million for the nine months ended 31 December 2015 compared to the corresponding period in 2014. The increase is mainly contributed by the high distribution cost of the trading of round logs of approximately 5 times higher than the distribution cost of plywood per cubic meter as described in the interim report for the six months ended 30 September 2015. By excluding this cost attributed by the trading of round logs, the selling and distribution costs were dropped in line with the decrease in sales volume.

(Loss) profit for the period

The Group recorded a net loss of approximately HK\$4.6 million for the nine months ended 31 December 2015, compared with the profit for the period of approximately HK\$8.3 million for the nine months ended 31 December 2014. Such decrease in approximately HK\$12.9 million profit was mainly caused by (i) the decrease in the gross profit by approximately HK\$7.4 million as a result of the drop of the sale volume and increase in the raw material cost; (ii) the other losses of approximately HK\$4.4 million recorded during the period mainly due to the net exchange loss and the fair value loss on the derivative financial instruments aforementioned; and (iii) the recognition of the share-based payment in which the options approximately HK\$2.0 million were granted during the period; and slightly offset by the decrease in the income tax expense to approximately HK\$1.7 million in the current period.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The working capital needs and other capital requirements have been met through a combination of shareholders' equity, cash generated from operations and bank borrowings. Going forward, we intend to finance the future operations and capital expenditures with cash flow from the Group's operating activities, banking facilities made available to us and the net proceeds from the placing of a total of 50,000,000 new shares in the Company on 23 February 2015 at the placing price of HK\$1.20 each (the "Placing").

The primary uses of cash have been and are expected to continue to be operating costs and capital expenditure. The current assets primarily comprise cash and bank balances, trade and other receivables and inventories. The current liabilities primarily comprise trade and other payables and bank borrowings.

As at 31 December 2015, the Group maintained cash and cash equivalents amounting to approximately HK\$76.5 million (as at 31 March 2015: approximately HK\$65.2 million). The net current assets slightly decreased from approximately HK\$61.2 million as at 31 March 2015 to approximately HK\$57.6 million as at 31 December 2015.

As at 31 December 2015, the Group's total bank borrowings, all being denominated in Hong Kong dollars, amounted to approximately HK\$36.9 million (as at 31 March 2015: approximately HK\$33.7 million). As at 31 December 2015, the capital structure of the Group consisted of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves. The Group's gearing ratio (calculated by dividing total debt by total equity as at the end of the period) as at 31 December 2015 was approximately 42.7% (as at 31 March 2015: approximately 37.6%).

The proceed from the Placing in the amount of approximately HK\$0.1 million has been used for the construction of new production plant of the Group as at 31 December 2015 and the remaining amount of approximately HK\$27.7 million will continue to be used for the construction of new production plant and the remaining amount of approximately HK\$17.6 million will continue to be applied for the operating costs and capital expenditure of the Group.

CHARGES ON THE GROUP'S ASSETS

At 31 December 2015, the Group's trade receivables of approximately HK\$6,692,000 (at 31 March 2015: approximately HK\$6,848,000) were pledged to secure export bills discounted with full recourse.

CONTINGENT LIABILITIES

As at 31 December 2015, there were no significant contingent liabilities for the Group.

CAPITAL COMMITMENT

As at 31 December 2015, there were no significant capital commitments for the Group.

PROSPECT

The proposed new production plant in Dong Mu Shan Industrial Park is expected to have a gross area of approximately 31,390 square meters and the new production base is expected to have an annual production capacity of approximately 99,456 cubic meters of plywood products. The management of the Group currently meet with several parties regarding the floor plan design and will submit to government for approval once the design is completed.

Apart from expanding the customer base of the Group by looking for any potential market in other countries, the management of the Group is looking for any potential business in relation to the expanding the trading capacity of the Group, including any possible increase in the production capacity or increase in the source of trading. The Group started developing the trading of round logs in the current period, and the Group is going to further develop this trading business to diversify its business. The Directors believe that the Group is in a more advantageous position to further develop and expand its market and products than the small-scale local enterprises.

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 December 2015, the interests and short positions of the each of the Directors and the chief executive of the Company in shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were 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 he or she was taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept under Section 352 of the SFO, or which were required, pursuant to the required standards of dealings by Directors as referred to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Long positions in ordinary shares of the Company

Name of Directors	Directly beneficially owned	Through controlled corporation	Number of ordinary share held, capacity and nature of interest		Percentage of the Company's issued share capital
			Number of underlying Shares held under equity derivatives	Total	
Mr. Huang ⁽¹⁾	–	114,154,853 ⁽⁴⁾	–	114,154,853	57.08%
Ms. Wong Hang Kuen ⁽²⁾	–	114,154,853 ⁽⁴⁾	–	114,154,853	57.08%
Ms. Wong Sut Keng ⁽³⁾	–	114,154,853 ⁽⁴⁾	–	114,154,853	57.08%
Mr. Yeung Hung Yuen ⁽⁵⁾	–	–	2,000,000	2,000,000	1.00%

Notes:

- (1) Mr. Huang beneficially owns all the shares in Master Gate Limited ("Master Gate"), a company incorporated in the British Virgin Islands ("BVI"). Master Gate directly beneficially owned 45,661,941 shares in the Company.
- (2) Ms. Wong Hang Kuen beneficially owns all the shares in Forever Aces Limited ("Forever Aces"), a company incorporated in the BVI. Forever Aces directly beneficially owned 34,246,456 shares in the Company.
- (3) Ms. Wong Sut Keng beneficially owns all the shares in Making New Limited ("Making New"), a company incorporated in the BVI. Making New directly beneficially owned 34,246,456 shares in the Company.

- (4) Mr. Huang, Ms. Wong Hang Kuen and Ms. Wong Sut Keng are siblings. Each of them is deemed to be interested in the ordinary shares of the Company held by Master Gate, Forever Aces and Making New respectively for the purpose of the SFO.
- (5) On 2 October 2015, Mr. Yeung Hung Yuen was granted share options of the Company entitling to subscribe for a total of 2,000,000 shares at a subscription price of HK\$0.83 per share with validity period from 2 October 2015 to 23 February 2025. The exercise period of such share options is i) one-third of the options could be exercisable on or before 31 March 2016; ii) two-third of the options could be exercisable on or before 31 March 2017; and iii) all of the options could be exercisable after 31 March 2017.

Save as disclosed above, as at 31 December 2015, none of the Directors or chief executive of the Company or their respective associates (within the meaning of GEM Listing Rules) had any interest or a short position in the shares or underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was 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 he or she was taken or deemed to have under such provisions of the SFO), or which were recorded in the register kept under Section 352 of the SFO, or were required to notify to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2015, so far as is known to the Directors, the following persons (other than Directors or chief executive of the Company) had interests and short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 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 were as follows:

Long positions in ordinary shares of the Company

Name of shareholders	Capacity and nature of interests	Number of ordinary shares held	Percentage of the Company's issued share capital
Master Gate	Beneficial owner	45,661,941	22.83%
Forever Aces	Beneficial owner	34,246,456	17.12%
Making new	Beneficial owner	34,246,456	17.12%

Save as disclosed above, as at 31 December 2015, none of the substantial or significant shareholders or other persons, other than the Directors and chief executive of the Company whose interests are set out in the section headed "DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION" above, had any interest or a short position in the shares or underlying shares of the Company would fall to be disclosed to the Company under the provisions of Divisions 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.

COMPETING INTERESTS

The Directors are not aware of any business or interest of the Directors nor of the controlling shareholders of the Company nor any of their respective close associates (as defined in the GEM Listing Rules) that compete or may compete with the business of the Group, and nor are the Directors aware of any other conflict of interests which any such person has or may have with the Group during the reporting period.

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the nine months ended 31 December 2015, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

DIRECTORS' SECURITIES TRANSACTIONS

The Group had adopted Rules 5.46 to 5.67 of the GEM Listing Rules as its own code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings. Having made specific enquiry with all the Directors, and all the Directors have confirmed their compliance with the required standard of dealings and the code of conduct for Directors' securities transactions during the nine months ended 31 December 2015.

INTEREST OF THE COMPLIANCE ADVISER

As notified by the compliance adviser of the Company, New Spring Capital Limited, as at 31 December 2015, save for the compliance adviser agreement dated 9 February 2015 entered into between the Company and New Spring Capital Limited, neither New Spring Capital Limited, its directors, employees and associates had any interest in relation to the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

During the nine months ended 31 December 2015, the Company has complied with all applicable code provisions of the Corporate Governance Code (the "Code") contained in Appendix 15 to the GEM Listing Rules.

SHARE OPTION SCHEME

The Company conditionally approved and adopted a share option scheme on 9 February 2015 ("the Scheme"). The terms of the Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

On 2 October 2015 and 19 November 2015, the Board resolved to grant share options to certain individuals to subscribe for a total of 9,800,000 ordinary shares of HK\$0.01 each (with an exercise price of HK\$0.83 per share and HK\$0.85 per share respectively) in the share capital of the Company under the Scheme.

The purpose of the Scheme is to provide an incentive and/or reward for their contribution or potential contribution to the Company and/or the Group.

As at the date of this report, the total number of shares which may be issued upon the exercise of all share options granted and yet to be exercised under the Scheme amounted to 3,266,666 and 6,533,334 respectively.

Details are set out in the announcement of the Company dated 2 October 2015 and 19 November 2015 respectively.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial control, internal control and risk management systems of the Group, and provide advice and comments on the Group's financial reporting matters to the Board. As at the date of this report, the audit committee comprises three independent non-executive Directors, namely Mr. Yuen Kim Hung Michael (Chairman), Mr. Chan Kai Nang and Mr. Ho Chee Mun. The audit committee has reviewed the Group's unaudited condensed consolidated financial statements for the nine months ended 31 December 2015.

By Order of the Board
Steed Oriental (Holdings) Company Limited
Huang Dong Sheng
Chairman and Executive Director

Hong Kong, 3 February 2016

As at the date of this report, the Board comprises Mr. Huang Dong Sheng, Ms. Wong Sut Keng, Ms. Wong Hang Kuen and Mr. Yeung Hung Yuen as executive Directors; and Mr. Chan Kai Nang, Mr. Ho Chee Mun and Mr. Yuen Kim Hung as independent non-executive Directors.