



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

(incorporated in the Cayman Islands with limited liability)

Stock Code: 8277

First Quarterly Report

2016



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 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 (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. 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.

The board of Directors of the Company (the “Board”) is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the three months ended 30 June 2016, together with comparative unaudited figures for the corresponding period in 2015 as follows:

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

For the three months ended 30 June 2016

		(Unaudited) Three months ended 30 June	
NOTES		2016 HK\$'000	2015 HK\$'000
Revenue	4	37,561	65,425
Cost of goods sold		(34,133)	(55,938)
Gross profit		3,428	9,487
Other income		2	2
Other losses		(830)	(493)
Selling and distribution expenses		(909)	(1,791)
Administrative expenses		(4,958)	(5,697)
Finance costs		(354)	(246)
(Loss) profit before taxation		(3,621)	1,262
Taxation	5	35	(729)
(Loss) profit for the period attributable to owners of the Company		(3,586)	533
Other comprehensive income (expense)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translating foreign operations		(1,007)	5
Fair value gain (loss) on available-for-sale investments		3	(269)
Reclassification adjustment relating to available-for-sale investments disposed of during the period		–	(106)
Other comprehensive expense for the period		(1,004)	(370)
Total comprehensive (expense) income for the period attributable to owners of the Company		(4,590)	163
(Loss) earnings per share – basic and diluted (HK cents)	7	(1.79)	0.27

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 30 June 2016

	Capital HK\$'000	Share premium HK\$'000	Share option reserve HK\$'000	Other reserve HK\$'000	Attributable to owners of the Company Investment revaluation reserve HK\$'000	Translation reserve HK\$'000	Accumulated (losses) profits HK\$'000	Total HK\$'000
At 1 April 2016 (audited)	2,000	51,628	2,852	41,355	(162)	(2,022)	(12,740)	82,911
Loss for the period	-	-	-	-	-	-	(3,586)	(3,586)
Exchange differences on translation	-	-	-	-	5	(1,012)	-	(1,007)
Fair value gain on available-for-sale investments	-	-	-	-	3	-	-	3
Other comprehensive (expense) income for the period	-	-	-	-	8	(1,012)	-	(1,004)
Total comprehensive expense for the period	-	-	-	-	8	(1,012)	(3,586)	(4,590)
Recognition of equity-settled share-based payments	-	-	207	-	-	-	-	207
Issue of shares by exercise of share options	3	273	-	-	-	-	-	276
Transfer from share options reserve to share premium on exercise of share options	-	188	(188)	-	-	-	-	-
At 30 June 2016 (unaudited)	2,003	52,089	2,871	41,355	(154)	(3,034)	(16,326)	78,804
At 1 April 2015 (audited)	2,000	51,628	-	41,355	106	(557)	(3,290)	91,242
Profit for the period	-	-	-	-	-	-	533	533
Exchange differences on translation	-	-	-	-	-	5	-	5
Fair value loss on available-for-sale investments	-	-	-	-	(269)	-	-	(269)
Reclassification adjustment relating to available-for-sale investments disposed of during the year	-	-	-	-	(106)	-	-	(106)
Other comprehensive (expense) income for the period	-	-	-	-	(375)	5	-	(370)
Total comprehensive (expense) income for the period	-	-	-	-	(375)	5	533	163
At 30 June 2015 (unaudited)	2,000	51,628	-	41,355	(269)	(552)	(2,757)	91,405

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 30 June 2016

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 the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (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 acts as an investment holding company and its subsidiaries are principally engaged in sourcing, manufacturing and sale of plywood products as well as the trading of round log.

The unaudited condensed consolidated financial statements are presented in Hong Kong dollars ("HK\$") while the functional currency of the Company is United States dollars ("US\$"). 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 three months ended 30 June 2015 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 2016. 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 2016. 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. TURNOVER

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

	(Unaudited) Three months ended 30 June	
	2016 HK\$'000	2015 HK\$'000
General plywood	25,379	49,228
Packing plywood	6,656	8,628
Structural panel	709	527
Floor base	4,802	5,825
Others	15	1,217
	37,561	65,425

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 30 June	
	2016 HK\$'000	2015 HK\$'000
Japan	33,235	57,309
Thailand	1,432	3,321
South Korea	—	415
Hong Kong	1,469	2,252
Other countries	1,425	2,128
	37,561	65,425

5. TAXATION

	(Unaudited) Three months ended 30 June	
	2016 HK\$'000	2015 HK\$'000
Current tax		
Hong Kong Profits Tax	6	130
People's Republic of China (the "PRC") Enterprise Income Tax ("EIT")	–	577
	6	707
Deferred taxation		
(Credit) charge for the period	(41)	22
	(35)	729

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 three months ended 30 June 2016.

7. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share attributable to the owners of the Company is based on the following data:

	(Unaudited) Three months ended 30 June	
	2016 HK\$'000	2015 HK\$'000
(Loss) profit for the purposes of calculating basic and diluted (loss) earnings per share ((loss) profit for the period attributable to owners of the Company)	(3,586)	533
	2016	2015
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted (loss) earnings per share	200,051,282	200,000,000

The diluted loss per share for the three months ended 30 June 2016 has not been taken into account the effect of outstanding share options as their exercise would result in a decrease in loss per share.

No diluted earnings per share was presented for the period ended 30 June 2015 as there were no potential dilutive ordinary shares.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in sourcing, manufacturing and sale of plywood products as well as the 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.

Due to the continued keen competition in the plywood market among countries, as well as a downward trend in the plywood imports market in Japan since April 2015, our sales volume of plywood products decreased by about 37.2% from approximately 18,300 cubic meters for three months ended 30 June 2015 to approximately 11,500 cubic meters for the three months ended 30 June 2016. The plywood demand from Japan has weakened significantly compared to the corresponding period in 2015. The Group was not able to fully shift the increased material costs to its customers. This resulted in the decrease in the gross profit margin by approximately 5.4% to approximately 9.1% for the three months ended 30 June 2016 (2015: approximately 14.5%).

To cope with continued keen competition in the plywood market among countries, as well as a downward trend in the plywood imports market in Japan from China, the Group is seeking business opportunities in potential markets of other countries like Taiwan to expand the customer base.

In order to expand its customer base together with the business growth, certain trading subsidiaries of the Group have obtained the forest stewardship council ("FSC") certification. The trading subsidiaries can now be involved in the chains of trade of FSC products which represents plywood manufactured up to FSC certification standards. As the FSC certification scheme is recognised as one of the highest worldwide standards for sustainable and responsible forest management, it is essential for businesses seeking to access environmentally and socially aware markets.

Moreover, the Group will enhance productivity via different means, such as reducing staff costs through natural turnover, strengthening service quality control and improving its support to customers. Apart from that, the Group will also endeavour to promote a culture of continuous improvement and automation of internal processes so as to improve efficiency and reduce costs. Mitigation of the impact of economic downturn on the performance of the Group is expected with various income-generating and cost-saving measures.

FINANCIAL REVIEW

Revenue

During the three months ended 30 June 2016, the Group recorded the revenue of approximately HK\$37.6 million, representing an approximately 42.5% decrease from the corresponding period in 2015 (2015: approximately HK\$65.4 million). The decrease was mainly attributable to a fall in orders received from the existing customers led by the weakened plywood demand from Japan.

Gross profit

The gross profit margin of the Group decreased from approximately 14.5% for the three months ended 30 June 2015 to approximately 9.1% for the three months ended 30 June 2016. The major reason for such decrease was due to the increase in material costs for the three months ended 30 June 2016 while the Group was not able to fully shift the increased costs to its customers due to the weakened plywood demand from Japan.

(Loss) profit for the period

The Group recorded a loss of approximately HK\$3.6 million for the three months ended 30 June 2016 compared to a profit of approximately HK\$0.5 million for the three months ended 30 June 2015. The decrease was mainly due to i) the decrease in gross profit as the combined effect of the drop in sales volume and increase in material costs as described above resulting the gross profit reduced by approximately HK\$6.1 million to approximately HK\$3.4 million for the three months ended 30 June 2016 (2015: approximately HK\$9.5 million); and ii) the net exchange loss resulted by the devaluation of the Renminbi during the three months ended 30 June 2016 amounting to approximately HK\$1.0 million. Such decrease was offset by i) the decrease in the selling and distribution expenses by approximately HK\$0.9 million to approximately HK\$0.9 million for the three months ended 30 June 2016 (2015: approximately HK\$1.8 million); ii) the decrease in the administrative expenses by approximately HK\$0.7 million to approximately HK\$5.0 million for the three months ended 30 June 2016 (2015: approximately HK\$5.7 million); and iii) the decrease in the profit tax by approximately HK\$0.7 million to approximately HK\$0 for the three months ended 30 June 2016 (2015: approximately HK\$0.7 million).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group's 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, the Group intends to finance future operations and capital expenditures with cash flow from the Group's operating activities, banking facilities made available to the Group and net proceeds from the placing of a total of 50,000,000 new shares in the Company on 23 February 2015 (the "Listing Date") 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 expenditures. As at 30 June 2016, the current assets of the Group comprised primarily of cash and bank balances, trade and other receivables and inventories while the current liabilities comprised primarily of trade and other payables and bank borrowings.

As at 30 June 2016, the Group maintained cash and cash equivalents amounting to approximately HK\$68.4 million (as at 31 March 2016: approximately HK\$70.7 million). Net current assets decreased from approximately HK\$53.8 million as at 31 March 2016 to approximately HK\$50.6 million as at 30 June 2016, mainly due to the decrease of trade and other receivables.

As at 30 June 2016, the Group's total bank borrowings, all being denominated in Hong Kong dollars or United States Dollars, amounted to approximately HK\$31.6 million (as at 31 March 2016: approximately HK\$36.8 million).

As at 30 June 2016, 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 financial period) as at 30 June 2016 was approximately 40.3% (as at 31 March 2016: approximately 44.7%).

As at 30 June 2016, the Group had utilized approximately 9.6% of the net proceeds from the Placing or approximately HK\$4.8 million for working capital and other general corporate purpose. For the portion of net proceeds that the Company intended to apply in the construction of new production plant, the Group had utilised approximately HK\$0.1 million 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\$17.5 million will continue to be applied for the acquisition of machinery and equipment of the Group.

CHARGES ON THE GROUP'S ASSETS

As at 30 June 2016, the Group's trade receivables of approximately HK\$1.4 million (as at 31 March 2016: approximately HK\$3.3 million) were pledged to secure export bills discounted with full recourse.

CONTINGENT LIABILITIES

As at 30 June 2016, there were no significant contingent liabilities for the Group.

CAPITAL COMMITMENT

As at 30 June 2016, the capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements was approximately HK\$275,000 (2015: nil).

UNCONDITIONAL MANDATORY CASH OFFERS

References are made to the joint announcement dated 22 June 2016 (the "Joint Announcement") and the composite document dated 22 July 2016 (the "Composite Document") jointly issued by the Company and Ms. Sun Xue Song and Mr. Xue Zhao Qiang (the "Joint Offerors"). Immediately after the completion of the sale and purchase agreement between, among others, Master Gate Limited, Forever Aces Limited and Making New Limited (as vendors) and the Joint Offerors (as purchasers) which took place on 22 June 2016, the Joint Offerors and parties acting in concert with either of or both of them held in aggregate 114,154,853 shares in the Company, representing approximately 56.98% of the issued share capital of the Company. Accordingly, the Joint Offerors are required under the Code on Takeovers and Mergers to make the unconditional mandatory cash offers for all the issued shares (other than those already owned or agreed to be acquired by the Joint Offerors and parties acting in concert with either of or both of them) and to cancel all the outstanding share options of the Company (the "Offers"). Details of the Offers please refer to the Joint Announcement dated 22 June 2016 as well as the Composite Document and the relevant forms of acceptance jointly published by the Company and the Joint Offerors on the Stock Exchange's website on 21 July 2016.

FUTURE PROSPECTS

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. Up to the date of this report, the floor plan design is approved by the regulatory authority and the preliminary construction work is currently in progress. The management expects that the construction will be completed in around mid next year.

On 16 June 2015, Jiangmen Urban and Rural Planning Bureau issued a confirmation permitting the extension of the use of the leased properties of the Group which are located at No. 29 Gao Sha Middle Road, Jiangmen City, Guangdong Province, the People's Republic of China (the "PRC") (the "Leased Properties") from 31 May 2016 to 31 May 2018 on the condition that Jiangmen Changda Wood Products Co., Ltd.* (江門市昌達木業有限公司) complies with the relevant laws and regulations regarding environmental protection, fire prevention and safety supervision. The Group is allowed to use the Leased Properties under the relevant lease agreements until 31 May 2018.

Apart from expanding the customer base of the Group by seeking business opportunities in potential markets of other countries, the management is also looking for other potential business development for the Group, including any possible expansion in the production capacity or diversification in the distribution channels of trading. In order to expand our customer base together with the business growth, certain trading subsidiaries of the Group have obtained the FSC certification (while the production plant of the Group has renewed the FSC certification in March 2016) by which can be involved in the chains of trade of the FSC products. The Group has currently started developing the trading of round logs, and the Group is going to further develop this trading business to diversify our 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.

Pursuant to the Joint Announcement and the Composite Document, it is the intention of the Joint Offerors to maintain the Company's existing principal activities. While the Joint Offerors will assist the Company in reviewing its business and operations and seek for new opportunities to enhance and strengthen the business of the Group, the Joint Offerors may consider to make any changes that it deems necessary or appropriate to the Group's businesses and operations to increase the value of the Group.

OTHER INFORMATION

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

As at 30 June 2016, the interests and short positions of the each of the Directors and the chief executive of the Company in the 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")), as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules, were as follows:

Long positions in ordinary shares of the Company

Name of Director	Capacity	Number of ordinary shares held, capacity and nature of interest		Approximate percentage of the Company's issued share capital
		Number of underlying shares held under equity derivatives	Total	
Mr. Yeung Hung Yuen ¹	Beneficial owner	2,000,000	2,000,000	1.00%

Note:

1. 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 30 June 2016, none of the Directors or chief executive of the Company 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 recorded in the register kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

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

As at 30 June 2016, so far as is known to the Directors, the following persons (other than the Directors or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions in ordinary shares of the Company

Name of Shareholder	Capacity and nature of interest	Number of ordinary shares held	Approximate percentage of the Company's issued share capital
Ms. Sun Xue Song	Beneficial owner	91,323,882	45.59%
Mr. Xue Zhao Qiang	Beneficial owner	22,830,971	11.39%

Save as disclosed above, as at 30 June 2016, none of the substantial 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 ITS ASSOCIATED CORPORATIONS" above, had any interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

COMPETING INTERESTS

The Directors are not aware of any business and interest of the Directors, the controlling shareholder or the substantial 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 any other conflict of interests which any such person has or may have with the Group during the reporting period.

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

During the three months ended 30 June 2016, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

DIRECTORS' SECURITIES TRANSACTION

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers 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 "Model Code") as its own code governing securities transactions of the Directors. Specific enquiries have been made to all Directors and all Directors have confirmed that they have fully complied with the required standard of dealings as set out in the Model Code during the three months ended 30 June 2016.

INTEREST OF THE COMPLIANCE ADVISER

As notified by the compliance adviser of the Company, New Spring Capital Limited, as at 30 June 2016, 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 close 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 three months ended 30 June 2016, 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 (the "Share Option Scheme") on 9 February 2015. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

The purpose of the Share Option Scheme is to provide an incentive or reward for eligible participants (any full-time or part-time employees, consultants or potential employees, consultants, executives or officers of the Group, and any suppliers, customers, consultants, agents and advisers, who in the absolute discretion of our Board has contributed or will contribute to the Group) (the "Eligible Participants") for their contribution or potential contribution to the Group.

The total number of shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 10% of the shares of the Company in issue immediately upon completion of the Listing which is 20,000,000 shares. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 30% of the shares of the Company in issue from time to time.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period commencing on such date on or after the date on which the option is granted as the Board may determine in granting the option and expiring at the close of business on such date as the Board may determine in granting the option but in any event shall not exceed 10 years from the date of grant (which is the date of offer of grant if the offer for the grant of the option is accepted).

Unless approved by our shareholders in general meeting in the manner prescribed in the GEM Listing Rules, our Board shall not grant options to any Eligible Participants if the acceptance of those options would result in the total number of shares issued and to be issued to those Eligible Participants on exercise of the options during any 12 month period up to the offer date exceeding 1% of the total shares then in issue.

The Share Option Scheme will be expired on 23 February 2025.

On 2 October 2015 and 19 November 2015 (the "Date of Grant"), the Company granted share options (the "Share Options") to a director and employees within the Group (the "Grantees") pursuant to the Share Option Scheme, subject to acceptance by the Grantees. The Share Options entitle the Grantees to subscribe for a total of 9,800,000 ordinary shares with nominal value of HK\$0.01 each (the "Shares") in the capital of the Company upon exercise of the Share Options in full. The exercise prices of each of the Share Options granted of HK\$0.83 per Share and HK\$0.85 per Share represent the highest of (i) the closing price of the Share on the Date of Grant; (ii) the average closing price per Share for the five business days immediately preceding each of the Date of Grant; and (iii) the nominal value of HK\$0.01 per Share.

As of 30 June 2016, 333,333 Share Options have been exercised at exercise price of HK\$0.83 and 166,667 Share Options have lapsed. As at 30 June 2016, there were 9,300,000 Share Options outstanding under the Share Option Scheme, of which 6,199,999 Share Options are exercisable. Details of the grants of the Share Options were set out in the announcements of the Company dated 2 October 2015 and 19 November 2015 respectively.

As disclosed in the Joint Announcement and the Composite Document, pursuant to the terms of the Share Option Scheme, in view of the Offers which are unconditional, the outstanding Share Options not exercised within 14 days after the despatch date of the Composite Document, i.e. 22 July 2016, shall lapse. Details please refer to the Composite Document and the relevant forms of acceptance jointly published by the Company and the Joint Offerors on the Stock Exchange's website on 21 July 2016.

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 three months ended 30 June 2016.

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

Hong Kong, 1 August 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; Mr. Chan Kai Nang, Mr. Ho Chee Mun and Mr. Yuen Kim Hung Michael as independent non-executive Directors.