



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

2017



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 2017, together with comparative unaudited figures for the corresponding period in 2016 as follows:

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

For the three months ended 30 June 2017

		(Unaudited) Three months ended 30 June	
	NOTES	2017 HK\$'000	2016 HK\$'000
Revenue	3	42,759	37,561
Cost of sales		(35,931)	(34,133)
Gross profit		6,828	3,428
Other gains/(losses)		448	(828)
Selling expenses		(1,565)	(909)
Administrative and other expenses		(4,725)	(4,958)
Profit/(loss) from operations		986	(3,267)
Finance costs		(6)	(354)
Profit/(loss) before taxation	4	980	(3,621)
Income tax		(615)	35
Profit/(loss) for the period attributable to equity shareholders of the Company		365	(3,586)
Other comprehensive income/(expense)			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
<i>Exchange differences arising on translation of foreign operations</i>		1,354	(1,007)
<i>Available-for-sale securities:</i>			
<i>net movement in the fair value reserve</i>		—	3
Other comprehensive income/(expense) for the period		1,354	(1,004)
Total comprehensive income/(expense) for the period attributable to equity shareholders of the Company		1,719	(4,590)
Earning/(loss) per share	6		
Basic and diluted (HK cents)		0.17	(1.79)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 30 June 2017

	Attributable to equity shareholders of the Company							
	Share capital HK\$'000	Share premium HK\$'000	Share option reserve HK\$'000	Other reserve HK\$'000	Fair value reserve HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	Total equity HK\$'000
Balance at 1 April 2017 (audited)	2,187	72,403	–	41,355	–	(4,747)	(24,613)	86,585
Changes in equity for the three months ended 30 June 2017:								
Profit for the period	–	–	–	–	–	–	365	365
Other comprehensive income	–	–	–	–	–	1,354	–	1,354
Total comprehensive income	–	–	–	–	–	1,354	365	1,719
Balance at 30 June 2017 (unaudited)	2,187	72,403	–	41,355	–	(3,393)	(24,248)	88,304

	Attributable to owners of the Company							
	Share capital HK\$'000	Share premium HK\$'000	Share option reserve HK\$'000	Other reserve HK\$'000	Fair value reserve HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	Total equity HK\$'000
Balance at 1 April 2016 (audited)	2,000	51,628	2,852	41,355	(162)	(2,022)	(12,740)	82,911
Changes in equity for the three months ended 30 June 2016:								
Loss for the period	-	-	-	-	-	-	(3,586)	(3,586)
Other comprehensive income/(expense) for the period	-	-	-	-	3	(1,007)	-	(1,004)
Total comprehensive income/(expense) for the period	-	-	-	-	3	(1,007)	(3,586)	(4,590)
Equity settled share-based payments	-	-	207	-	-	-	-	207
Shares issued under share option scheme	3	273	-	-	-	-	-	276
Transfer from share options reserve to share premium on exercise of share options	-	188	(188)	-	-	-	-	-
	3	461	19	-	-	-	-	483
Balance at 30 June 2016 (unaudited)	2,003	52,089	2,871	41,355	(159)	(3,029)	(16,326)	78,804



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 30 June 2017

1 CORPORATE INFORMATION

Steed Oriental (Holdings) Company Limited was incorporated in the Cayman Islands on 7 August 2013 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company's shares were listed on the GEM of the Stock Exchange on 23 February 2015. The Group principally engages in the sourcing, manufacturing and sale of plywood products.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the GEM Listing Rules. Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.



(b) Basis of preparation of the financial statements

The consolidated financial statements for the three months ended 30 June 2017 comprise the Company and its subsidiaries.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that financial instruments classified as trading securities and available-for-sale investments and derivative financial instruments are stated at their fair values.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(c) Changes in accounting policies

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 REVENUE AND SEGMENT REPORTING

The amount of each significant category of revenue is as follows:

	(Unaudited) Three months ended 30 June	
	2017 HK\$'000	2016 HK\$'000
Sales of general plywood	25,077	25,379
Sales of packing plywood	6,346	6,656
Sales of structural panel	6,798	709
Sales of floor base	4,359	4,802
Others	179	15
	42,759	37,561

The following table sets out information about the geographical location of the Group's revenue from external customers which is based on the location at which the goods are delivered.

	(Unaudited) Three months ended 30 June	
	2017 HK\$'000	2016 HK\$'000
Japan	36,769	33,235
Thailand	1,169	1,432
Hong Kong	1,618	1,469
Other countries	3,203	1,425
	42,759	37,561

4 INCOME TAX

	(Unaudited) Three months ended 30 June	
	2017 HK\$'000	2016 HK\$'000
Current taxation:		
– Provision for Corporate Income Tax of the People's Republic of China (the "PRC") for the period	545	–
– Provision for Hong Kong Profits Tax for the period	78	6
	623	6
Deferred taxation:		
– Origination and reversal of temporary differences	2	–
– The PRC Withholding Tax on retained profits to be distributed	(10)	(41)
	(8)	(41)
	615	(35)

Notes:

- (i) The Company and the subsidiaries of the Group incorporated in Hong Kong are subject to Hong Kong Profits Tax rate of 16.5% for the three months ended 30 June 2017 (2016: 16.5%).
- (ii) The Company and the subsidiaries of the Group incorporated in the Cayman Islands and the British Virgin Islands (the "BVI") are not subject to any income tax pursuant to the rules and regulations of their respective countries of incorporation.
- (iii) The subsidiaries of the Group established in the PRC (excluding Hong Kong) are subject to the PRC Corporate Income Tax rate of 25% for the three months ended 30 June 2017 (2016: 25%).

5 DIVIDENDS

The Board does not recommend the payment of a dividend for the three months ended 30 June 2017.

6 EARNING/(LOSS) PER SHARE

(a) Basic earning/(loss) per share

The basic earning per share for the three months ended 30 June 2017 is calculated based on the profit attributable to the equity shareholders of the Company of approximately HK\$365,000 (2016: loss of approximately HK\$3,586,000) and the weighted average of 218,733,333 ordinary shares (2016: 200,051,282 ordinary shares) in issue during the period, calculated as follows:

Weighted average number of ordinary shares

	2017 '000	2016 '000
Issued ordinary shares at 1 April	218,733	200,000
Effect of shares issued under share option scheme	–	51
Weighted average number of ordinary shares at 30 June	218,733	200,051

(b) Diluted earning/(loss) per share

The diluted earning per share for the three months ended 30 June 2017 has not been presented as there were no potential dilutive ordinary shares.

The diluted loss per share for the three months ended 30 June 2016 has not taken into account the effect of the outstanding share options as it would increase the loss per share, hence anti-dilutive.



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

The competition in the plywood market among countries were still keen, fortunately, the plywood imports market in Japan began its sluggish pace of recovery, though the upwards trend is not stable, and through the effort of the Group, the sales in other markets also recorded considerable growth, our sales volume of plywood products increased by about 14.4% from approximately 11,500 cubic meters for the three months ended 30 June 2016 to approximately 13,151 cubic meters for the three months ended 30 June 2017. The Group will look at the performance of the forthcoming few months to determine whether the Japan's plywood imports market has been fully recovered. The decrease in the unit costs of sales resulting in the increase in the gross profit margin of approximately 6.9 percentage points to approximately 16.0% for the three months ended 30 June 2017 (2016: approximately 9.1%).

To cope with the continued keen competition in the plywood market among countries, the Group continues seeking business opportunities in other potential markets 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 to 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. It is expected that the various income-generating and cost-saving measures will help in the improvement in the performance of the Group.



FINANCIAL REVIEW

Revenue

During the three months ended 30 June 2017, the Group recorded the revenue of approximately HK\$42.8 million, representing an approximately 13.8% increase comparing to the previous period (2016: approximately HK\$37.6 million). The increase was mainly attributable to a rise in orders received from the existing customers led by the strengthened plywood demand from Japan.

Gross profit

The gross profit margin of the Group increased from approximately 9.1% for the three months ended 30 June 2016 to approximately 16.0% for the three months ended 30 June 2017. The major reason for such increase was due to the decrease in unit cost of sales in the three months ended 30 June 2017.

Selling expenses

The selling expenses increased by approximately 72.2% from approximately HK\$0.9 million for the three months ended 30 June 2016 to approximately HK\$1.6 million for the three months ended 30 June 2017. The increase was mainly contributed by the increase in the sales volume of plywood products.

Profit/(loss) for the period

The results for the period turned around from a loss of approximately HK\$3.6 million for the three months ended 30 June 2016 to a profit of approximately HK\$0.4 million for the three months ended 30 June 2017.

The increase was mainly due to i) the increase in gross profit as the combined effect of the growth in sales volume and decrease in unit cost of sales as described above resulting the gross profit increased by approximately HK\$3.4 million to approximately HK\$6.8 million for the three months ended 30 June 2017 (2016: approximately HK\$3.4 million); and ii) the increase in net other gains amounting to approximately HK\$1.3 million. Such increase was offset by the increase in the selling expenses by approximately HK\$0.7 million to approximately HK\$1.6 million for the three months ended 30 June 2017 (2016: approximately HK\$0.9 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 of the Company on 23 February 2015 at the placing price of HK\$1.20 per share (the "Placing") and the placing of a total of 18,400,000 new shares of the Company which was completed on 4 October 2016 at the placing price of HK\$1.13 per share.

The primary uses of cash have been, and are expected to continue to be, operating costs and capital expenditures. As at 30 June 2017, the current assets of the Group comprised primarily of cash at bank and on hand, trade and other receivables and inventories. The current liabilities comprised primarily of trade and other payables and bank and other borrowings.

As at 30 June 2017, the Group maintained cash and cash equivalents amounting to approximately HK\$24.2 million (as at 31 March 2017: approximately HK\$20.9 million). Net current assets decreased slightly from approximately HK\$42.0 million as at 31 March 2017 to approximately HK\$41.6 million as at 30 June 2017.

As at 30 June 2017, the Group's total bank and other borrowings, all being denominated in Renminbi, Hong Kong dollars or United States dollars, amounted to approximately HK\$5.9 million (as at 31 March 2017: approximately HK\$2.3 million).

As at 30 June 2017, the capital structure of the Group consisted of cash and cash equivalents together with equity attributable to shareholders of the Company, comprised of issued share capital and reserves.

As at 30 June 2017, the Group's gearing ratio (calculated by dividing total interest-bearing debt by total equity as at the end of financial period) was approximately 6.7% (as at 31 March 2017: approximately 2.6%).

CHARGES ON THE GROUP'S ASSETS

As at 30 June 2017, the Group's trade receivables of approximately HK\$3.6 million (as at 31 March 2017: approximately HK\$Nil) were pledged to secure export bills discounted with full recourse.



CONTINGENT LIABILITIES

As at 30 June 2017, there were no significant contingent liabilities for the Group.

CAPITAL COMMITMENTS

As at 30 June 2017, the capital commitments in respect of buildings, and machinery and equipment contracted for but not provided for the consolidated financial statements were approximately HK\$31.1 million (as at 31 March 2017: approximately HK\$32.1 million).

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 was 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 end of 2017.

On 16 June 2015, Jiangmen Urban and Rural Planning Bureau* (江門市城鄉規劃局) 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 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 they can be involved in the chains of trade of the FSC products. 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.



At the current stage, the Board will maintain the Group's existing principal activities, and will review the Group's business and operations and seek for new opportunities to enhance and strengthen the business of the Group, the Board 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 2017, 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	Number of ordinary share held, capacity and nature of interest			Approximate percentage of the Company's issued share capital
	Directly and beneficially owned	Through controlled corporations	Total	
Ms. Sun Xue Song	123,041,695	–	123,041,695	56.25%
Mr. Xue Zhao Qiang	30,760,425	–	30,760,425	14.06%

Note: The percentage is calculated by dividing the number of shares interested or deemed to be interested by 218,733,333 issued shares as at 30 June 2017.



Save as disclosed above, as at 30 June 2017, 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 recorded in the register required to be kept by the Company under Section 352 of the SFO, or was 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 2017, so far as is known to the Directors, no person (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.

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 2017, 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 2017.



COMPLIANCE WITH CORPORATE GOVERNANCE CODE

During the three months ended 30 June 2017, the Company has complied with all applicable code provisions of the Corporate Governance Code (the “CG Code”) contained in Appendix 15 to the GEM Listing Rules.

INTEREST OF THE COMPLIANCE ADVISER

As notified by the then compliance adviser of the Company, New Spring Capital Limited (whose term of service has expired on 29 June 2017), as at 30 June 2017, 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.

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 the Board has contributed or will contribute to the Group) (the “Eligible Participants”) for their contribution or potential contribution to the Group.

Pursuant to the Share Option Scheme, the Directors may, at their absolute discretion, grant options to the Eligible Participants to subscribe for shares in the Company at a price determined by the Directors and not less than the highest of:

- (i) the closing price of the shares of the Company as stated in the daily quotation sheets issued by the Stock Exchange on the date of grant of the options;
- (ii) the average closing price of the shares of the Company as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant of the options; and
- (iii) the nominal value of the shares of the Company on the date of grant.



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 Placing which was 20,000,000 shares, representing approximately 9.14% of the issued shares of the Company as at the date of this report. 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 the shareholders of the Company in general meeting in the manner prescribed in the GEM Listing Rules, the 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.

Options granted must be taken up within 14 days of that date of grant, upon payment of HK\$1 in aggregate as consideration for the options granted.

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. As at 1 April 2016, the Share Options entitled 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, of which the Share Options granted to the director and employees entitled them to subscribe for 2,000,000 Shares and 7,800,000 Shares respectively. 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 relevant 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.



The Share Options have a validity period from the Date of Grant (i.e. 2 October 2015 or 19 November 2015 (as the case may be)) to 23 February 2025, one-third of which could be exercisable on or before 31 March 2016, two-third of which could be exercisable on or before 31 March 2017, and all of which could be exercisable after 31 March 2017 and up to 23 February 2025.

As at 1 April 2016, the number of outstanding options of the Company granted under the Share Option Scheme was 9,800,000.

During the year ended 31 March 2017, a total of 333,333 Share Options were exercised at the exercise price of HK\$0.83 per Share and the closing price of the Shares on 16 June 2016 (i.e. the date immediately before the date of exercise of the 333,333 Share Options) was HK\$1.35. During the year, a total 166,667 Share Option forfeited.

The unconditional mandatory cash offer to cancel all the then outstanding Share Options (the "Option Offer") closed on 12 August 2016. A total of 9,300,000 Share Options were cancelled upon the settlement of the Option Offer. After the close and settlement of the Option Offer and as of 30 June 2017, no Share Options were outstanding.

Details of the grants of the Share Options, the Option Offer and the result of the Option Offer, please refer to the announcements of the Company dated 2 October 2015, 19 November 2015, 22 June 2016 and 12 August 2016 as well as the Composite Document of the Company dated 22 July 2016. During the three months ended 30 June 2017, no share options were granted pursuant to the Share Option Scheme.

As at 30 June 2017, none of the Directors or employees held any share options of the Company under the Share Option Scheme.

EVENTS AFTER THE REPORTING PERIOD

No significant events have taken place subsequent to 30 June 2017 and up to the date of this report.

AUDIT COMMITTEE

The Company established an audit committee on 9 February 2015 with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and the CG Code. The primary duties of the audit committee are (among other things) 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. Zhu Da (Chairman), Mr. Ding Hongquan and Ms. Dong Ping. The audit committee has reviewed the Group's unaudited condensed consolidated financial statements for the three months ended 30 June 2017 and recommended to the Board for approval.

By Order of the Board
Steed Oriental (Holdings) Company Limited
Sun Xue Song
Chairman and Executive Director

Hong Kong, 9 August 2017

As at the date of this report, the Board comprises Ms. Sun Xue Song and Mr. Xue Zhao Qiang as executive Directors; Mr. Huang Dong Sheng as a non-executive Director; and Mr. Ding Hongquan, Ms. Dong Ping and Mr. Zhu Da as independent non-executive Directors.