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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8277)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2017

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF 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.

This announcement, 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 announcement 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 announcement misleading.

The board of Directors of the Company (the "Board") is pleased to present the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 March 2017, together with comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2017
(Expressed in Hong Kong dollars ("HK$"))

	Note	2017 HK$'000	2016 HK$'000
Revenue	3	**145,293**	242,073
Cost of sales		**(129,451)**	(212,068)
Gross profit		**15,842**	30,005
Other losses	4	**(1,782)**	(3,098)
Selling expenses		**(4,279)**	(8,781)
Administrative and other expenses		**(24,341)**	(25,659)
Loss from operations		**(14,560)**	(7,533)
Finance costs	5(a)	**(903)**	(1,277)
Loss before taxation	5	**(15,463)**	(8,810)
Income tax	6	**66**	(640)
Loss for the year attributable to equity shareholders of the Company		**(15,397)**	(9,450)
Other comprehensive income for the year (after tax and reclassification adjustments)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(2,725)**	(1,465)
Available-for-sale securities: net movement in the fair value reserve		**162**	(268)
Other comprehensive income for the year		**(2,563)**	(1,733)
Total comprehensive income for the year attributable to equity shareholders of the Company		**(17,960)**	(11,183)
Loss per share			
Basic and diluted (HK cents)	7	**(7.36)**	(4.73)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2017
(Expressed in HK$)

	Note	2017 HK$'000	2016 HK$'000
Non-current assets			
Property, plant and equipment		**16,252**	13,151
Lease prepayments		**27,824**	15,557
Available-for-sale investments		**–**	449
Other non-current assets		**1,065**	454
		45,141	29,611
Current assets			
Trading securities		**351**	–
Inventories		**25,008**	29,956
Lease prepayments		**591**	332
Available-for-sale investments		**–**	2,408
Trade and other receivables	*8*	**19,898**	8,968
Income tax recoverable		**751**	523
Cash at bank and on hand		**20,897**	70,735
		67,496	112,922
Current liabilities			
Trade and other payables	*9*	**22,271**	21,166
Derivative financial instruments		**–**	307
Bank and other borrowings		**2,256**	36,793
Obligations under a finance lease		**–**	263
Income tax payable		**959**	587
		25,486	59,116
Net current assets		**42,010**	53,806
Total assets less current liabilities		**87,151**	83,417
Non-current liabilities			
Deferred tax liabilities		**566**	506
NET ASSETS		**86,585**	82,911
CAPITAL AND RESERVES			
Share capital		**2,187**	2,000
Reserves		**84,398**	80,911
TOTAL EQUITY		**86,585**	82,911

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in HK$ unless otherwise indicated)

1 CORPORATE INFORMATION

Steed Oriental (Holdings) Company Limited (the "Company") 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 Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 23 February 2015. The Company and its subsidiaries (collectively referred to as the "Group") principally engages in the sourcing, manufacturing and sale of plywood products as well as the trading of round logs.

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 Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "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 year ended 31 March 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 principal activities of the Group are the sourcing, manufacturing and sale of plywood products and trading of round logs.

The executive directors of the Company have been identified as the chief operating decision makers (the "CODM"). The CODM review the Group's revenue analyses by products and by the geographical location in the delivery of goods in order to assess performance and allocation of resources.

Other than revenue analyses, no operating results and other discrete financial information are available for the assessment of performance by the respective major products and customers. The CODM review the results of the Group as a whole to make decisions. Accordingly, other than entity wide information, no other segment analysis is presented.

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

	2017	2016
	HK$'000	*HK$'000*
Sales of general plywood	**93,372**	170,238
Sales of packing plywood	**24,848**	30,578
Sales of structural panel	**10,576**	2,311
Sales of floor base	**15,707**	20,013
Trading of round logs	**–**	16,909
Others	**790**	2,024
	145,293	242,073

(a) Information about major customers

Revenue from customers with whom transactions have exceeded 10% of the Group's revenue is as follows:

	2017	2016
	HK$'000	*HK$'000*
Customer A	**63,451**	90,889
Customer B	**43,579**	65,795

(b) Geographic information

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.

	2017	2016
	HK$'000	*HK$'000*
Japan	**130,731**	196,768
Thailand	**5,293**	33,259
South Korea	**–**	415
Hong Kong	**4,680**	7,834
Other countries	**4,589**	3,797
	145,293	242,073

The Group has operations in two principal geographical areas – Hong Kong and the People's Republic of China (the "PRC") during 2017 and 2016. Information about the Group's non-current assets (excluding available-for-sale investments) presented based on the location of the non-current assets is as below:

	2017	2016
	HK$'000	*HK$'000*
Hong Kong	**1,525**	575
The PRC	**43,616**	28,587
	45,141	29,162

4 OTHER LOSSES

	2017	2016
	HK$'000	*HK$'000*
Interest income	**(51)**	(11)
Sales of scrap materials	**–**	(151)
Net loss on disposal of property, plant and equipment	**58**	179
Net loss arising from forward foreign exchange contracts	**61**	307
Net loss on disposal of available-for-sale equity securities	**248**	30
Net foreign exchange losses	**1,286**	2,808
Others	**180**	(64)
	1,782	3,098

5 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	2017	2016
	HK$'000	*HK$'000*
(a) Finance costs		
Interest on bank and other borrowings	**899**	1,263
Finance charges on obligations under a finance lease	**4**	14
	903	1,277

No borrowing costs have been capitalised for the year ended 31 March 2017 (2016: HK$Nil).

	2017	2016
	HK$'000	*HK$'000*
(b) Staff costs#		
Salaries, wages and other benefits	**16,988**	21,040
Contributions to defined contribution retirement plans	**1,000**	1,703
Equity settled share-based payments	**772**	2,852
	18,760	25,595

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control a trustee. The Group contributes 5% of relevant payroll costs to the scheme, of which contribution is matched by employees.

The employees of the Group's subsidiaries in the PRC are members of state-managed retirement benefit plan operated by the government of the PRC. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plans is to make the specified contributions.

	2017	2016
	HK$'000	*HK$'000*
(c) Other items		
Depreciation#	**2,318**	2,321
Amortisation of lease prepayments	**475**	336
Impairment losses on property, plant and equipment	**2,950**	–
Operating lease charges in respect of properties and machinery#	**2,334**	2,151
Auditors' remuneration	**922**	1,058
Cost of inventories#	**129,451**	212,068

\# Cost of inventories includes HK$10,870,000 (2016: HK$14,346,000) relating to staff costs, depreciation expenses and operating lease charges, which amount is also included in the respective total amounts disclosed separately above or in note 5(b) for each of these types of expenses.

6 INCOME TAX

	2017	2016
	HK$'000	*HK$'000*
Current taxation:		
– Provision for PRC Corporate Income Tax for the year	**409**	1,060
– Provision for Hong Kong Profits Tax for the year	**1**	112
– Over-provision of PRC Corporate Income Tax in prior years	**(536)**	(367)
	(126)	805
Deferred taxation:		
– Origination and reversal of temporary differences	**(20)**	–
– The PRC Withholding Tax on retained profits to be distributed	**80**	(165)
	60	(165)
	(66)	640

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 year ended 31 March 2017 (2016: 16.5%).

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.

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 year ended 31 March 2017 (2016: 25%).

7 LOSS PER SHARE

(a) Basic loss per share

The basic loss per share for the year ended 31 March 2017 is calculated based on the loss attributable to the equity shareholders of the Company of HK$15,397,000 (2016: HK$9,450,000) and the weighted average of 209,287,000 ordinary shares (2016: 200,000,000 ordinary shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2017	2016
	'000	*'000*
Issued ordinary shares at 1 April	**200,000**	200,000
Effect of shares issued	**9,024**	–
Effect of shares issued under share option scheme	**263**	–
Weighted average number of ordinary shares at 31 March	**209,287**	200,000

(b) Diluted loss per share

The diluted loss per share for the year ended 31 March 2017 has not been taken into account the effect of the outstanding share options as it would increase the loss per share, hence anti-dilutive.

8 TRADE AND OTHER RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Trade receivables due from third parties	**3,699**	5,556
Less: allowance for doubtful debts	**(100)**	(106)
	3,599	5,450
Prepayments, deposits and other receivables:		
– Prepayments for purchase of inventories	**16,457**	4,180
– Others	**738**	294
	17,195	4,474
Less: allowance for doubtful debts	**(896)**	(956)
	16,299	3,518
	19,898	8,968

All of the trade and other receivables are expected to be recovered or recognised as expenses within one year.

The Group usually accepts letters of credit issued by commercial banks to facilitate payment in its trade with overseas customers and no credit period is granted to these customers. For other customers, credit period ranging from 30-90 days is granted from date of delivery of goods.

As of the end of the reporting period, the ageing analysis of trade receivables, based on the invoice date and net of allowance for doubtful debts, is as follows:

	2017	2016
	HK$'000	*HK$'000*
Within 30 days	**3,599**	5,450

9 TRADE AND OTHER PAYABLES

	2017	2016
	HK$'000	*HK$'000*
Trade payables:		
– Amounts due to third parties	**10,143**	12,581
– Amounts due to a related party	**302**	302
	10,445	12,883
Other payables and accrued expenses:		
– Payables for staff related costs	**2,503**	3,377
– Value-added tax payables	**–**	765
– Amounts due to related parties *(note (i))*	**4,781**	–
– Payables for acquisition of property, plant and equipment	**1,789**	–
– Other accruals and payables	**2,413**	3,239
	11,486	7,381
Advances received from customers	**340**	902
	22,271	21,166

All of the trade and other payables at 31 March 2017 and 2016 are expected to be settled or recognised in profit or loss within one year or are repayable on demand.

Note:

(i) Amounts due to related parties are unsecured, non-interest bearing and have no fixed terms of repayment.

As of the end of the reporting period, the ageing analysis of trade payables, based on the invoice date, is as follows:

	2017	2016
	HK$'000	*HK$'000*
Within 30 days	**6,174**	4,980
31 to 60 days	**855**	1,845
61 to 90 days	**100**	1,968
Over 90 days	**3,316**	4,090
	10,445	12,883

10 DIVIDENDS

(i) Dividends payable to equity shareholders of the Company attributable to the year

The directors of the Company do not recommend the payment of a final dividend for the year ended 31 March 2017 (2016: HK$Nil).

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

The directors of the Company did not recommend the payment of a dividend for the year ended 31 March 2016 (2015: HK$Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the 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 31% from approximately 64,700 cubic meters for the year ended 31 March 2016 to approximately 44,600 cubic meters for the year ended 31 March 2017. The plywood demand from Japan was weakened significantly compared to the previous year. The Group was not able to fully shift the increased unit cost of sales to its customers, resulting in the decrease in the gross profit margin of approximately 1.5 percentage points to approximately 10.9% for the year ended 31 March 2017 (2016: approximately 12.4%).

To cope with the 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 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 mitigation of the impact of economic downturn on the performance of the Group.

FINANCIAL REVIEW

Revenue

During the year ended 31 March 2017, the Group recorded the revenue of approximately HK$145.3 million, representing an approximately 40% decrease comparing to the previous year (2016: approximately HK$242.1 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 12.4% for the year ended 31 March 2016 to approximately 10.9% for the year ended 31 March 2017. The major reason for such decrease was due to the increase in unit cost of sales in the year ended 31 March 2017 while the Group was not able to fully shift the increased costs to its customers due to the weakened plywood demand from Japan.

Selling expenses

The selling expenses decreased by approximately 51.1% from approximately HK$8.8 million for the year ended 31 March 2016 to approximately HK$4.3 million for the year ended 31 March 2017. The decrease was mainly contributed by the significant decrease in the sales volume of plywood products and round logs.

Loss for the year

The loss of the Group increased by approximately HK$5.9 million from approximately HK$9.5 million for the year ended 31 March 2016 to a loss of approximately HK$15.4 million for the year ended 31 March 2017.

The increase was mainly due to the decrease in gross profit as the combined effect of the drop in sales volume and increase in unit cost of sales as described above resulting the gross profit reduced by approximately HK$14.2 million to approximately HK$15.8 million for the year ended 31 March 2017 (2016: approximately HK$30.0 million). Such increase was offset by i) the decrease in the other losses by approximately HK$1.3 million to approximately HK$1.8 million in the year ended 31 March 2017 (2016: approximately HK$3.1 million); ii) the decrease in the selling expenses by approximately HK$4.5 million to approximately HK$4.3 million for the year ended 31 March 2017 (2016: approximately HK$8.8 million); iii) the decrease in the administrative and other expenses by approximately HK$1.4 million to approximately HK$24.3 million for the year ended 31 March 2017 (2016: approximately HK$25.7 million); and iv) the decrease in the finance costs by approximately HK$0.4 million to approximately HK$0.9 million for the year ended 31 March 2017 (2016: approximately HK$1.3 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 (the "Listing Date") 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 31 March 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 31 March 2017, the Group maintained cash and cash equivalents amounting to approximately HK$20.9 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$42.0 million as at 31 March 2017.

As at 31 March 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$2.3 million (as at 31 March 2016: approximately HK$36.8 million).

As at 31 March 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 31 March 2017, the Group's gearing ratio (calculated by dividing total interest-bearing debt by total equity as at the end of financial year) was approximately 2.6% (as at 31 March 2016: approximately 44.7%). The decrease in gearing ratio was a result of the full repayment of secured bank loans in Bank of China (Hong Kong) Limited.

CHARGES ON THE GROUP'S ASSETS

As at 31 March 2017, none of the Group's trade receivables (2016: approximately HK$3.3 million) was pledged to secure export bills discounted with full recourse.

CONTINGENT LIABILITIES

As at 31 March 2017, there were no significant contingent liabilities for the Group.

CAPITAL COMMITMENTS

As at 31 March 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$32.1 million (as at 31 March 2016: approximately HK$0.4 million).

UNCONDITIONAL MANDATORY CASH OFFERS

References are made to the announcement of the Company dated 22 June 2016 and the composite document of the Company 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 then issued share capital of the Company. Accordingly, the Joint Offerors were 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").

The Offers closed at 4:00 p.m. on 12 August 2016. Immediately after the close of the Offers, the Joint Offerors and the parties acting in concert with either of or both of them were interested in aggregate of 153,802,120 shares, representing approximately 76.77% of the total number of shares in issue as at 12 August 2016. For details, please refer to the announcement of the Company dated 12 August 2016.

PLACING OF NEW SHARES UNDER GENERAL MANDATE AND RESTORATION OF THE PUBLIC FLOAT

On 23 September 2016, the Company and Guotai Junan Securities (Hong Kong) Limited (the "Placing Manager") entered into a placing agreement pursuant to which the Company had appointed the Placing Manager as agent of the Company, and the Placing Manager had agreed to act as agent for the Company, to procure placees on a best efforts basis to subscribe or purchase for a maximum of 18,400,000 new shares of the Company at the placing price of HK$1.13 per share (the "2016 Placing"). The reason for the 2016 Placing was to raise capital for the Company while broadening the shareholder base and strengthening the capital base of the Company as well as to restore the public float of the Company, which became insufficient following the completion of the Offers.

The above 18,400,000 shares were allotted and issued under the general mandate granted to the Directors by a resolution passed at the annual general meeting of the Company held on 25 July 2016. Under the general mandate, the Directors were allowed to allot and issue up to 40,066,666 shares of the Company. The aggregate nominal value of the placing shares under the 2016 Placing was HK$184,000. The placing price of HK$1.13 under the 2016 Placing represents (1) a discount of approximately 18.12% to the closing price of HK$1.38 per share as quoted on the Stock Exchange on 23 September 2016, being the date of the placing agreement; and (2) a discount of approximately 16.05% to the average closing price of approximately HK$1.346 per Share as quoted on the Stock Exchange for the last five trading days immediately prior to 23 September 2016, being the date of the placing agreement.

The completion of the 2016 Placing took place on 4 October 2016. An aggregate of 18,400,000 new shares of the Company have been successfully allotted and issued to not less than six placees who and whose ultimate beneficial owner(s) (where applicable) were independent third parties. The net proceeds from the placing were approximately HK$20.33 million, which would be used as general working capital of the Group. On such basis, the net issue price per placing share was approximately HK$1.10.

Upon the completion of the 2016 Placing, the public float of the Company had been restored and the minimum prescribed percentage of shares being held by public shareholders in accordance with Rule 11.23(7) of the GEM Listing Rules has been met.

Up to 31 March 2017, approximately HK$15.57 million of the net proceeds from the 2016 Placing had been used as general working capital of the Group, the remaining amount of approximately HK$4.76 million will continue to be used as general working capital of the Group.

For details, please refer to the announcements of the Company dated 23 September 2016 and 4 October 2016.

SIGNIFICANT INVESTMENT

During the year ended 31 March 2017, the Group did not have any significant investment (2016: HK$Nil).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

No material acquisitions or disposals of its subsidiaries or affiliated companies were made by the Group for the year ended 31 March 2017 (2016: HK$Nil).

COMPARISON OF BUSINESS OBJECTIVES AND ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as set out in the prospectus of the Company dated 12 February 2015 (the "Prospectus") with the Group's actual business progress for the period from 1 April 2016 to 31 March 2017 is set out below:

Business objectives	Actual progress
Construction of a new production plant to expand production capacity in the PRC	The Group has legally obtained the land use rights of a parcel of land in the PRC and started the construction of the new production plant.
Expansion in clientele and sale network, as well as our products portfolio	The Group has made regular visits to major customers in order to maintain a close relationship with them.
Optimising the manufacturing capabilities in the PRC	The Group has maintained the existing production capacity to meet customers' demand, and is looking for any potential business in relation to the expanding of the Group's trading capacity, including any possible increase in the production capacity or increase in the source of trading.

USE OF PROCEEDS FROM THE PLACING OF SHARES

The Company was successfully listed on the GEM on the Listing Date by way of the Placing of a total of 50,000,000 new shares in the Company at the placing price of HK$1.20 per share of the Company and the net proceeds raised from the Placing were about HK$50.1 million after deducting the listing-related expenses.

In line with that disclosed in the Prospectus, the Company intended to apply the net proceeds raised from the Placing as to (i) approximately 55.5% of the net proceeds or approximately HK$27.8 million for the construction of a new production plant in the PRC; (ii) approximately 34.9% of the net proceeds or approximately HK$17.5 million for the acquisition of machinery and equipment for the new production plant in the PRC; and (iii) approximately 9.6% of the net proceeds or approximately HK$4.8 million for working capital and other general corporate purpose.

As at 31 March 2017, the Group had utilised approximately 9.6% of the net proceeds from the Placing or approximately HK$4.8 million for working capital and other general corporate purpose. The Group had also utilised approximately 55.5% of the net proceeds from the Placing or approximately HK$27.8 million for the construction of a new production plant in the PRC. For the portion of net proceeds that the Company intended to apply in the acquisition of machinery and equipment for the new production plant in the PRC, the Group had utilised approximately HK$2.7 million and the remaining amount of approximately HK$14.8 million will continue to be applied for the acquisition of machinery and equipment for the new production plant in the PRC.

As at the date of this announcement, the unutilised proceeds were placed with banks in Hong Kong and the PRC as short-term deposits.

FOREIGN EXCHANGE EXPOSURE

The trading of plywood products is conducted predominantly in United States dollars while the production costs are mainly denominated in Renminbi. The Group manages its foreign currency risk by closely monitoring the movements of foreign currency exchange rates. The Group does not currently designate any hedging relationship on the foreign exchange forward contracts for the purpose of the hedge accounting.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2017, the Group had a total of 190 employees. The Group remunerates its employees based on their performance, experience and the prevailing industry practice. Their remuneration packages are normally renewed on an annual basis, based on performance appraisals and other relevant factors. The Group may pay a discretionary bonus to its employees based on individual performance in recognition of their contribution and hard work. Staff benefit plans maintained by the Group include several mandatory provident fund schemes as well as travel, medical and life insurance.

The Company conditionally approved and adopted a share option scheme on 9 February 2015 (the "Share Option Scheme") under which certain employees, consultants and advisers of the Group including the executive Directors may be granted options to subscribe for Company's shares. As of 31 March 2017, none of the Directors or employees held any share options of the Company under the Share Option Scheme.

EVENT AFTER THE REPORTING PERIOD

No significant events have taken place subsequent to 31 March 2017 and up to the date of this announcement.

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

During the year ended 31 March 2017, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

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 announcement, 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.

* *For identification purpose only*

CORPORATE GOVERNANCE PRACTICES

The Board strives to uphold the principles of corporate governance set out in the Corporate Governance Code (the "CG Code") contained in Appendix 15 of the GEM Listing Rules. The Board also adopts various measures to enhance the internal control system, the Directors' continuous professional development and other areas of corporate governance practice. While the Board strives to maintain a high level of corporate governance, it also works hard to create value and achieve maximum return for its shareholders. The Board will continue to conduct reviews and improve the quality of corporate governance practices with reference to local and international standards.

During the year ended 31 March 2017, the Company had complied with the code provisions as set out in the CG Code.

REVIEW BY THE AUDIT COMMITTEE

The Company established an audit committee (the "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.

The Audit Committee has reviewed the audited financial statements of the Group for the year ended 31 March 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, 23 June 2017

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

This announcement will remain on the "Latest Company Announcements" page of GEM website at www.hkgem.com for at least seven days from the date of its publication and will be published on the website of the Company at www.steedoriental.com.hk.