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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 2018

CHARACTERISTICS OF THE GEM ("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 operating results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 March 2018, 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 2018
(Expressed in Hong Kong dollars ("HK$"))

	Note	2018 HK$'000	2017 HK$'000
Revenue	3	**171,997**	145,293
Cost of sales		**(148,218)**	(129,451)
Gross profit		**23,779**	15,842
Other income/(losses)	4	**1,224**	(1,782)
Selling expenses		**(5,655)**	(4,279)
Administrative and other expenses		**(22,648)**	(24,341)
Loss from operations		**(3,300)**	(14,560)
Finance costs	5(a)	**(146)**	(903)
Loss before taxation	5	**(3,446)**	(15,463)
Income tax	6	**(397)**	66
Loss for the year attributable to equity shareholders of the Company		**(3,843)**	(15,397)
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		**7,861**	(2,725)
Available-for-sale securities: net movement in the fair value reserve		**–**	162
Other comprehensive income for the year		**7,861**	(2,563)
Total comprehensive income for the year attributable to equity shareholders of the Company		**4,018**	(17,960)
Loss per share			
Basic and diluted (HK cents)	7	**(1.76)**	(7.36)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2018
(Expressed in HK$)

	Note	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment		**38,805**	16,252
Lease prepayments		**30,193**	27,824
Other non-current assets		**1,869**	1,065
		70,867	45,141
Current assets			
Trading securities		**420**	351
Inventories		**30,454**	25,008
Lease prepayments		**656**	591
Trade and other receivables	*8*	**23,459**	19,898
Income tax recoverable		**–**	751
Cash at bank and on hand		**19,974**	20,897
Restricted deposits		**28**	–
		74,991	67,496
Current liabilities			
Trade and other payables	*9*	**28,704**	22,271
Derivative financial instruments		**83**	–
Bank and other borrowings		**16,379**	2,256
Income tax payable		**524**	959
		45,690	25,486
Net current assets		**29,301**	42,010
Total assets less current liabilities		**100,168**	87,151
Non-current liabilities			
Bank and other borrowings		**7,880**	–
Deferred tax liabilities		**474**	566
Other non-current liabilities		**1,211**	–
		9,565	566
NET ASSETS		**90,603**	86,585
CAPITAL AND RESERVES			
Share capital		**2,187**	2,187
Reserves		**88,416**	84,398
TOTAL EQUITY		**90,603**	86,585

NOTES

(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 GEM (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.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The Group's financial statements to be included in the annual report 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 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 2018 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 several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these impact on the accounting policies of the Group. However, additional disclosure will be included in the annual report to satisfy the new disclosure requirements introduced by the amendments to HKAS 7, *Statement of cash flows: Disclosure initiative*, which require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

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.

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:

	2018	2017
	HK$'000	*HK$'000*
Sales of general plywood	**114,776**	93,372
Sales of packing plywood	**20,410**	24,848
Sales of structural panel	**17,767**	10,576
Sales of floor base	**18,359**	15,707
Others	**685**	790
	171,997	145,293

(a) Information about major customers

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

	2018	2017
	HK$'000	*HK$'000*
Customer A	**n/a (note)**	63,451
Customer B	**49,862**	43,579
Customer C	**80,251**	n/a (note)

Note:

The corresponding revenue did not exceed 10% of the Group's revenue.

(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.

	2018	2017
	HK$'000	*HK$'000*
Japan	**151,845**	130,731
Thailand	**7,159**	5,293
Hong Kong	**5,971**	4,680
Other countries	**7,022**	4,589
	171,997	145,293

The Group has operations in two principal geographical areas – Hong Kong and the People's Republic of China (the "PRC") during 2018 and 2017. Information about the Group's non-current assets presented based on the location of the non-current assets is as below:

	2018	2017
	HK$'000	*HK$'000*
Hong Kong	**318**	1,525
The PRC	**70,549**	43,616
	70,867	45,141

4 OTHER INCOME/(LOSSES)

	2018	2017
	HK$'000	*HK$'000*
Interest income	**135**	51
Net loss on disposal of property, plant and equipment	**(5)**	(58)
Net loss arising from forward foreign exchange contracts	**(78)**	(61)
Net loss on disposal of equity securities	**(16)**	(248)
Net foreign exchange gains/(losses)	**1,143**	(1,286)
Others	**45**	(180)
	1,224	(1,782)

5 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	2018	2017
	HK$'000	*HK$'000*
(a) Finance costs		
Interest on bank and other borrowings	**146**	899
Finance charges on obligations under a finance lease	**–**	4
	146	903

No borrowing costs have been capitalised for the year ended 31 March 2018 (2017: HK$Nil).

	2018	2017
	HK$'000	*HK$'000*
(b) Staff costs#		
Salaries, wages and other benefits	**18,534**	16,988
Contributions to defined contribution retirement plans	**1,078**	1,000
Equity settled share-based payments	**–**	772
	19,612	18,760

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 of 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.

	2018	2017
	HK$'000	*HK$'000*
(c) Other items		
Depreciation#	**2,753**	2,318
Amortisation of lease prepayments	**656**	475
Impairment losses on property, plant and equipment	**–**	2,950
Operating lease charges in respect of properties and machinery#	**2,876**	2,334
Auditors' remuneration	**1,239**	922
Cost of inventories#	**148,218**	129,451

\# Cost of inventories includes HK$10,463,000 (2017: HK$10,870,000) 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

	2018	2017
	HK$'000	*HK$'000*
Current taxation:		
– Provision for PRC Corporate Income Tax for the year	**223**	409
– Provision for Hong Kong Profits Tax for the year	**35**	1
– Under/(over)-provision of PRC Corporate Income Tax in prior years	**231**	(536)
	489	(126)
Deferred taxation:		
– Origination and reversal of temporary differences	**(43)**	(20)
– The PRC Withholding Tax on retained profits to be distributed	**(49)**	80
	(92)	60
	397	(66)

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 2018 (2017: 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 2018 (2017: 25%).

7 LOSS PER SHARE

(a) Basic loss per share

The basic loss per share for the year ended 31 March 2018 is calculated based on the loss attributable to the equity shareholders of the Company of HK$3,843,000 (2017: HK$15,397,000) and the weighted average of 218,733,000 ordinary shares (2017: 209,287,000 ordinary shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2018	2017
	'000	*'000*
Issued ordinary shares at 1 April	**218,733**	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	**218,733**	209,287

(b) Diluted loss per share

There was no difference between the basic and diluted loss per share as there were no dilutive potential shares outstanding for the year ended 31 March 2018.

The diluted loss per share for the year ended 31 March 2017 has not 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

	2018	2017
	HK$'000	*HK$'000*
Trade receivables due from third parties	**6,049**	3,699
Less: allowance for doubtful debts	**(110)**	(100)
	5,939	3,599
Prepayments, deposits and other receivables:		
– Prepayments for purchase of inventories	**16,964**	16,457
– Others	**1,549**	738
	18,513	17,195
Less: allowance for doubtful debts	**(993)**	(896)
	17,520	16,299
	23,459	19,898

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:

	2018	2017
	HK$'000	*HK$'000*
Within 30 days	**5,939**	3,599

9 TRADE AND OTHER PAYABLES

	2018	2017
	HK$'000	*HK$'000*
Trade payables:		
– Amounts due to third parties	**10,278**	10,143
– Amounts due to a related party	**–**	302
	10,278	10,445
Other payables and accrued expenses:		
– Payables for staff related costs	**3,337**	2,503
– Amounts due to related parties *(note (i))*	**6,600**	4,781
– Payables for acquisition of property, plant and equipment	**4,469**	1,789
– Other accruals and payables	**3,789**	2,413
	18,195	11,486
Advances received from customers	**231**	340
	28,704	22,271

All of the trade and other payables at 31 March 2018 and 2017 are expected to be settled or recognised in profit or loss within one year or are repayable on demand.

Note:

(i) At 31 March 2018, amounts due to related parties mainly include advances from an entity controlled by a close family member of a director of the Company amounting to HK$3,729,000 (2017: HK$4,693,000) and advances from a director of the Company amounting to HK$2,871,000 (2017: HK$Nil).

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:

	2018	2017
	HK$'000	*HK$'000*
Within 30 days	**7,214**	6,174
31 to 60 days	**616**	855
61 to 90 days	**120**	100
Over 90 days	**2,328**	3,316
	10,278	10,445

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 2018 (2017: 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 do not recommend the payment of a final dividend for the year ended 31 March 2017 (2016: HK$Nil).

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 is slowly recovering, 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 17.9% from approximately 44,600 cubic meters for the year ended 31 March 2017 to approximately 52,600 cubic meters for the year ended 31 March 2018. The Group will continue to closely look at the performance of the Japan's plywood imports market in the forthcoming few months. The decrease in the unit cost of sales resulting in the increase in the gross profit margin of approximately 2.9 percentage points to approximately 13.8% for the year ended 31 March 2018 (2017: approximately 10.9%).

To cope with the continued keen competition in the plywood market among countries, the Group continues seeking business opportunities in other potential markets 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 year ended 31 March 2018, the Group recorded the revenue of approximately HK$172.0 million, representing an approximately 18.4% increase comparing to the previous year (2017: approximately HK$145.3 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 10.9% for the year ended 31 March 2017 to approximately 13.8% for the year ended 31 March 2018. The major reason for such increase was due to the decrease in average unit cost of sales in the year ended 31 March 2018.

Selling expenses

The selling expenses increased by approximately 32.6% from approximately HK$4.3 million for the year ended 31 March 2017 to approximately HK$5.7 million for the year ended 31 March 2018. The increase was mainly due to the increase in the sales volume of plywood products.

Loss for the year

The loss of the Group decreased by approximately HK$11.6 million from a loss of approximately HK$15.4 million for the year ended 31 March 2017 to a loss of approximately HK$3.8 million for the year ended 31 March 2018.

The decrease 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$8.0 million to approximately HK$23.8 million for the year ended 31 March 2018 (2017: approximately HK$15.8 million); ii) the increase in other income amounting to approximately HK$3.0 million; iii) the decrease in the administrative and other expenses by approximately HK$1.7 million to approximately HK$22.6 million for the year ended 31 March 2018 (2017: approximately HK$24.3 million); and iv) the decrease in the finance costs by approximately HK$0.8 million to approximately HK$0.1 million for the year ended 31 March 2018 (2017: approximately HK$0.9 million) as the result of the full settlement of the approximately HK$33.5 million unsecured bank loans by the end of November 2016 without any new bank loan until the borrowings of new secured bank loans of approximately HK$10.0 million in January 2018 and approximately HK$8.8 million in March 2018 respectively. Such decrease was offset by i) the increase in the selling expenses by approximately HK$1.4 million to approximately HK$5.7 million for the year ended 31 March 2018 (2017: approximately HK$4.3 million); and ii) the increase in the income tax by approximately HK$0.5 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").

The primary uses of cash have been, and are expected to continue to be, operating costs and capital expenditures. As at 31 March 2018, 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 2018, the Group maintained cash and cash equivalents amounting to approximately HK$20.0 million (as at 31 March 2017: approximately HK$20.9 million). Net current assets decreased from approximately HK$42.0 million as at 31 March 2017 to approximately HK$29.3 million as at 31 March 2018.

As at 31 March 2018, the Group's total bank and other borrowings, all being denominated in Renminbi or United States dollars, amounted to approximately HK$24.3 million (as at 31 March 2017: approximately HK$2.3 million).

As at 31 March 2018, 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 2018, the Group's gearing ratio (calculated by dividing total interest-bearing debt by total equity as at the end of financial year) was approximately 26.8% (as at 31 March 2017: approximately 2.6%).

CHARGES ON THE GROUP'S ASSETS

As at 31 March 2018, the Group's trade receivables of approximately HK$3.2 million (as at 31 March 2017: HK$Nil) were charged to secure discounted export bills with full recourse.

As at 31 March 2018, the Group's land use rights of carrying amount of approximately HK$30.8 million (as at 31 March 2017: HK$Nil) and restricted deposits of HK$28,000 (as at 31 March 2017: HK$Nil) were charged to secure bank borrowings of approximately HK$18.8 million.

As at 31 March 2018, the Group's import goods under letters of credit of approximately HK$2.3 million (as at 31 March 2017: HK$Nil) were charged to secure import bills advance payment under letters of credit to suppliers.

CONTINGENT LIABILITIES

As at 31 March 2018, there were no significant contingent liabilities for the Group.

CAPITAL COMMITMENTS

As at 31 March 2018, the capital commitments in respect of property, plant and equipment contracted for but not provided for the consolidated financial statements were approximately HK$14.1 million (as at 31 March 2017: approximately HK$32.1 million).

SIGNIFICANT INVESTMENT

During the year ended 31 March 2018, the Group did not have any significant investment (2017: 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 2018 (2017: HK$Nil).

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 2018, the Group had a total of 135 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. The emoluments of the Directors are determined with reference to, among other things, the prevailing market conditions, the experience, roles and responsibilities of the Directors with the Company. 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 2018, 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 2018 and up to the date of this announcement.

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

During the year ended 31 March 2018, 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 construction work is currently in progress. The management expects that the construction will be completed in around end of October or early November this year.

As disclosed in the previous annual reports of the Company, the current production plant of the Group is located at No.29 Gao Sha Middle Road, Jiangmen City, Guangdong Province, the People's Republic of China (the "PRC"), the tenancy agreement of which has been renewed and would expire on 31 December 2018 (the "Current Tenancy"). It is the intention of the Group that the production machineries and equipment would be relocated to the new production plant in Dong Mu Shan Industrial Park after the completion of its construction and the relocation would expect to be finished before the expiry of the Current Tenancy. Therefore, the Group considers that the proposed relocation of the production plant would not cause any material impact on the operation of the Group.

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.

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 2018, 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 annual results and financial statements of the Group for the year ended 31 March 2018 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, 21 June 2018

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

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