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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)

THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 31 DECEMBER 2018

CHARACTERISTICS OF THE 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.

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 unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the three months and nine months ended 31 December 2018, together with comparative unaudited figures for the corresponding periods in 2017 as follows:

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

For the three months and nine months ended 31 December 2018

		Three months ended 31 December		Nine months ended 31 December	
	NOTES	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Revenue	3	57,743	41,322	193,779	129,971
Cost of sales		(47,758)	(36,320)	(160,905)	(111,913)
Gross profit		9,985	5,002	32,874	18,058
Other (loss)/income		(396)	387	238	875
Selling expenses		(1,726)	(1,231)	(5,573)	(4,308)
Administrative and other expenses		(6,058)	(5,794)	(19,598)	(16,017)
Profit/(loss) from operations		1,805	(1,636)	7,941	(1,392)
Finance costs		(309)	(17)	(892)	(72)
Profit/(loss) before taxation		1,496	(1,653)	7,049	(1,464)
Income tax	4	(627)	(107)	(2,943)	(969)
Profit/(loss) for the period attributable to equity shareholders of the Company		869	(1,760)	4,106	(2,433)
Other comprehensive income/(expense)					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translating foreign operations		113	1,713	(7,885)	4,434
Other comprehensive income/(expense) for the period		113	1,713	(7,885)	4,434
Total comprehensive income/(expense) for the period attributable to equity shareholders of the Company		982	(47)	(3,779)	2,001
Earning/(loss) per share	6				
– Basic and diluted (HK cents)		0.40	(0.80)	1.88	(1.11)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 December 2018

	Attributable to equity shareholders of the Company					Total equity <i>HK\$'000</i>
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Other reserve <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	
Balance at 1 April 2018 (audited)	2,187	72,403	41,355	3,114	(28,456)	90,603
Changes in equity for the nine months ended 31 December 2018:						
Profit for the period	–	–	–	–	4,106	4,106
Other comprehensive expense for the period	–	–	–	(7,885)	–	(7,885)
Total comprehensive (expense)/income for the period	–	–	–	(7,885)	4,106	(3,779)
Balance at 31 December 2018 (unaudited)	2,187	72,403	41,355	(4,771)	(24,350)	86,824

	Attributable to equity shareholders of the Company					Total equity <i>HK\$'000</i>
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Other reserve <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	
Balance at 1 April 2017 (audited)	2,187	72,403	41,355	(4,747)	(24,613)	86,585
Changes in equity for the nine months ended 31 December 2017:						
Loss for the period	–	–	–	–	(2,433)	(2,433)
Other comprehensive income for the period	–	–	–	4,434	–	4,434
Total comprehensive income/(expense) for the period	–	–	–	4,434	(2,433)	2,001
Balance at 31 December 2017 (unaudited)	2,187	72,403	41,355	(313)	(27,046)	88,586

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2018

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 and trading of construction materials.

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 nine months ended 31 December 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 is 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 INFORMATION

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

	(Unaudited) Three months ended 31 December		(Unaudited) Nine months ended 31 December	
	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sales of general plywood	42,846	31,779	143,442	85,826
Sales of packing plywood	2,056	3,117	7,837	17,050
Sales of structural panel	4,597	781	14,901	12,799
Sales of floor base	1,599	5,548	6,719	13,775
Trading of construction materials	6,549	–	19,838	–
Others	96	97	1,042	521
	<u>57,743</u>	<u>41,322</u>	<u>193,779</u>	<u>129,971</u>

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 31 December		(Unaudited) Nine months ended 31 December	
	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Japan	47,034	37,046	163,366	114,647
The PRC	6,643	730	21,391	2,272
Thailand	1,564	1,746	3,275	5,056
Hong Kong	2,043	1,433	4,468	4,659
Other countries	459	367	1,279	3,337
	<u>57,743</u>	<u>41,322</u>	<u>193,779</u>	<u>129,971</u>

4 INCOME TAX

	(Unaudited) Three months ended 31 December		(Unaudited) Nine months ended 31 December	
	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current taxation:				
– Provision for Corporate Income Tax of the People's Republic of China (the "PRC") for the period	–	5	1,015	653
– Provision for Hong Kong Profits Tax for the period	815	116	1,930	397
– Over-provision for PRC Corporate Income Tax in prior period	(17)	–	–	–
	<u>798</u>	<u>121</u>	<u>2,945</u>	<u>1,050</u>
Deferred taxation:				
– Origination and reversal of temporary differences	–	(10)	8	(32)
– The PRC Withholding Tax on retained profits to be distributed	(171)	(4)	6	(49)
	<u>627</u>	<u>107</u>	<u>2,943</u>	<u>969</u>

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 nine months ended 31 December 2018 (2017: 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 nine months ended 31 December 2018 (2017: 25%).

5 DIVIDENDS

The Board does not recommend the payment of a dividend for the nine months ended 31 December 2018.

6 EARNING/(LOSS) PER SHARE

(a) Basic earning/(loss) per share

The basic earning/(loss) per share is calculated based on the profit/(loss) attributable to the equity shareholders of the Company and the weighted average of the ordinary shares in issue during the period as follows:

	(Unaudited)		(Unaudited)	
	Three months ended		Nine months ended	
	31 December		31 December	
	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit/(loss) attributable to the equity shareholders of the Company	<u>869</u>	<u>(1,760)</u>	<u>4,106</u>	<u>(2,433)</u>

Weighted average number of ordinary shares

	Three months ended		Nine months ended	
	31 December		31 December	
	2018	2017	2018	2017
	'000	'000	'000	'000
Weighted average number of ordinary shares at 1 April and 31 December	<u>218,733</u>	<u>218,733</u>	<u>218,733</u>	<u>218,733</u>

(b) Diluted earning/(loss) per share

There was no difference between the basic and diluted earning per share as there were no dilutive potential shares outstanding for the three months ended and nine months ended 31 December 2018.

There was no difference between the basic and diluted loss per share as there were no dilutive potential shares outstanding for the three months ended and nine months ended 31 December 2017.

MANAGEMENT DECISIONS AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the sourcing, manufacturing and sale of plywood products and trading of construction materials. 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 recovering and through the effort of the Group, the sales in the PRC and other markets also recorded considerable growth, our sales volume of plywood products increased by about 15.6% from approximately 40,280 cubic meters for the nine months ended 31 December 2017 to approximately 46,568 cubic meters for the nine months ended 31 December 2018. The decrease in the unit costs of sales resulting in the increase in the gross profit margin of approximately 3.1 percentage points to approximately 17.0% for the nine months ended 31 December 2018 (2017: approximately 13.9%).

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 nine months ended 31 December 2018, the Group recorded the revenue of approximately HK\$193.8 million, representing an approximately 49.1% increase comparing to the previous period (2017: approximately HK\$130.0 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 13.9% for the nine months ended 31 December 2017 to approximately 17.0% for the nine months ended 31 December 2018. The major reason for such increase was due to the decrease in unit cost of sales in the nine months ended 31 December 2018.

Selling expenses

The selling expenses increased by approximately 30.2% from approximately HK\$4.3 million for the nine months ended 31 December 2017 to approximately HK\$5.6 million for the nine months ended 31 December 2018. The increase was mainly contributed by the increase in the sales volume of plywood products.

Profit/(loss) for the period

The Group recorded a profit of approximately HK\$4.1 million for the nine months ended 31 December 2018 compared to a loss of approximately HK\$2.4 million for the nine months ended 31 December 2017.

The change 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 resulted in the gross profit increased by approximately HK\$14.8 million to approximately HK\$32.9 million for the nine months ended 31 December 2018 (2017: approximately HK\$18.1 million). Such increase was offset by i) the increase in the selling expenses by approximately HK\$1.3 million to approximately HK\$5.6 million for the nine months ended 31 December 2018 (2017: approximately HK\$4.3 million); ii) the increase in administrative and other expenses by approximately HK\$3.6 million to approximately HK\$19.6 million for the nine months ended 31 December 2018 (2017: approximately HK\$16.0 million); and iii) the increase in the income tax by approximately HK\$1.9 million to approximately HK\$2.9 million for the nine months ended 31 December 2018 (2017: approximately HK\$1.0 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 and other borrowings. Going forward, the Group intends to finance future operations and capital expenditures with cash flow from the Group's operating activities, banking facilities as well as other external debt financing made available to the Group.

The primary uses of cash have been, and are expected to continue being, operating costs and capital expenditures. As at 31 December 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 December 2018, the Group maintained cash and cash equivalents amounting to approximately HK\$14.3 million (as at 31 March 2018: approximately HK\$20.0 million). Net current assets decreased from approximately HK\$29.3 million as at 31 March 2018 to approximately HK\$16.8 million as at 31 December 2018.

As at 31 December 2018, the Group's total bank and other borrowings, all being denominated in Renminbi, Hong Kong dollars or United States dollars, amounted to approximately HK\$49.4 million (as at 31 March 2018: approximately HK\$24.3 million).

As at 31 December 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 December 2018, the Group's gearing ratio (calculated by dividing total interest-bearing debt by total equity as at the end of financial period) was approximately 56.9% (as at 31 March 2018: approximately 26.8%).

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2018, the Group's trade receivables of approximately HK\$10.0 million (as at 31 March 2018: approximately HK\$3.2 million) were pledged to secure export bills discounted with full recourse.

As at 31 December 2018, the Group's land use rights of carrying amount of approximately HK\$27.6 million (as at 31 March 2018: approximately HK\$30.8 million) and restricted deposits of approximately HK\$Nil (as at 31 March 2018: approximately HK\$28,000) were charged to secure bank borrowings of approximately HK\$16.5 million.

CONTINGENT LIABILITIES

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

CAPITAL COMMITMENTS

As at 31 December 2018, the capital commitments in respect of buildings, and machinery and equipment contracted for but not provided for the consolidated financial statements were approximately HK\$6.2 million (as at 31 March 2018: approximately HK\$14.1 million).

MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF PROPERTY

On 31 July 2018 (after trading hours), Hebei Jiapin Trading Limited* (河北迦品貿易有限公司) (“the Purchaser”), a subsidiary of the Company and established in the PRC, and Shijiazhuang Yonghe Property Development Company Limited* (石家莊雍和房地產開發有限公司) (“the Vendor”), a company established in the PRC with limited liability, entered into a sale and purchase agreement, pursuant to which the Purchaser conditionally agreed to purchase and the Vendor conditionally agreed to sell the building No. 3 of Mancheng Project situated at No. 88 Xisanzhuang Street, Shijiazhuang* (石家莊市西三莊街88號慢城項目3號商業全套房屋) at a consideration of RMB34,500,000.

The transaction constitutes a major transaction of the Company and is subject to the notification, announcement and shareholders’ approval requirements under Chapter 19 of the GEM Listing Rules. The transaction also constitutes a connected transaction of the Company and is subject to the reporting, announcement, circular and independent shareholders’ approval requirements under Chapter 20 of the GEM Listing Rules.

For details please refer to the announcements of the Company dated 31 July 2018, 31 August 2018, 10 September 2018 and the circular of the Company dated 11 September 2018.

* For identification purpose only

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 the end of March or early April of 2019.

As disclosed in the annual report of the Company for the year ended 31 March 2018, the current production plant of the Group is located at No. 29 Gao Sha Middle Road, Jiangmen City, Guangdong Province, the PRC, the tenancy agreement of which has been renewed and would expire on 31 December 2018 (the “Current Tenancy”). In view of the delay in the construction of new production plant, the Group will sign a new tenancy agreement (the “New Tenancy”) with the landlord to extend the Current Tenancy to 30 June next year. It is expected that the New Tenancy can be signed before the expiry of the Current Tenancy. It is the intention of the Group that the production machineries and equipment be relocated to the new production plant in Dong Mu Shan Industrial Park after the completion of its construction and the relocation would be expected to finish before 30 June 2019. The Group considers that the proposed relocation of the production plant would not cause any material impact on the operation of the Group.

As disclosed in the announcements of the Company dated 31 July 2018, 31 August 2018, 10 September 2018 and the circular of the Company dated 11 September 2018, currently, customers of the Group are mainly scattered in Japan, Thailand and Hong Kong, and the Group plans to develop its market in Northern China. In recent years, the market in Northern China has been driven by favourable government policies such as the coordinated development for the Beijing-Tianjin-Hebei region. The Outline of the Plan for Coordinated Development for the Beijing-Tianjin-Hebei Region (《京津冀協同發展規劃綱要》) aims to achieve environmental sustainability, integrated transport services and industrial upgrading. In particular, the development of the new Xiong'an District has provided ample business opportunities for the sale of high quality wooden products such as plywood and wooden furniture to be used in the interior decoration of property development projects. To capture these business opportunities, the Group plans to expand its business to Northern China by strengthening its trading business and identifying suitable production plants to process the plywood products for the Group. The Group is considering to broaden its product mix to include wooden building components and wooden products such as furniture, doors and window frames and other interior fitting materials. It also aims to increase sales to the downstream market by cooperating with other plywood processing enterprises for the process and manufacturing of wooden products.

The Group has entered into sales contracts with a few customers in Hebei Province and Beijing City in July 2018. Going forward, the Group will also attend negotiations with government funded construction companies for the supply of wooden materials for construction and interior decoration use. In order to further strengthen sales efforts and to implement its expansion plan in the Northern China, a wholly-owned subsidiary of the Group, Hebei Jiapin Trading Limited* (河北迦品貿易有限公司), has entered into a sale and purchase agreement with Shijiazhuang Yonghe Property Development Company Limited* (石家莊雍和房地產開發有限公司) to purchase, at the consideration of RMB34.5 million, the building No. 3 of Mancheng Project situated of No. 88 Xisanzhuang Street, Shijiazhuang* (石家莊市西三莊街88號慢城項目3號商業全套房屋) as its office and as a showroom to exhibit the Group's products.

Apart from expanding the customer base of the Group by seeking business opportunities in potential markets of other countries and Northern China, 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 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

OTHER INFORMATION

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

As at 31 December 2018, the interests and short positions of the each of the Directors and the chief executive of the Company in shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), 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		Total	Approximate percentage of the Company's issued share capital
	Directly and beneficially owned	Through controlled corporations		
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 31 December 2018.

Save as disclosed above, as at 31 December 2018, 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

As at 31 December 2018, so far as is known to the Directors, no person (other than the Directors or chief executive of the Company) had interests and 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 nine months ended 31 December 2018, 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 a code of conduct regarding directors' securities transactions 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 "Code"). 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 Code during the nine months ended 31 December 2018.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

During the nine months ended 31 December 2018, 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.

SHARE OPTION SCHEME

The Company conditionally approved and adopted 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, 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 announcement. 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.

As of 1 April 2018 and as of 31 December 2018, no share options were outstanding.

During the nine months ended 31 December 2018, no share options were granted pursuant to the Share Option Scheme.

As at 31 December 2018, none of the Directors or employees held any share options of the Company under the Share Option Scheme.

EVENTS AFTER THE REPORTING PERIOD

On 24 January 2019 (after trading hours), Hebei Jiapin Trading Limited* (河北迦品貿易有限公司) (the “Purchaser”), an indirect wholly-owned subsidiary of the Company and established in the PRC, and Mr. Huo Julin (霍炬霖) and Mr. Li Xianfeng (李現鋒) (the “Vendors”), each a PRC individual resident directly owning 80% and 20% respectively of the registered share capital of Hebei Youlin Technology Company Limited* (河北優林科技有限公司) (the “Target Company”), a company established in the PRC with limited liability, entered into an equity transfer agreement, pursuant to which the Purchaser conditionally agreed to purchase and the Vendors conditionally agreed to sell the entire equity interest in the Target Company at a consideration of RMB28,000,000.

The Target Company is primarily engaged in the processing and sale of wooden structures, wooden panels and wooden furniture and is established under the laws of the PRC with limited liability. Upon completion of the transaction, the Target Company will become an indirect wholly-owned subsidiary of the Company, and the financial results, assets and liabilities of the Target Company will be consolidated into the accounts of the Group.

For details, please refer to the announcement of the Company dated 24 January 2019.

* For identification purpose only

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 announcement, the audit committee comprises three independent non-executive Directors, namely Mr. Zhu Da (Chairman), Mr. Wang Wei and Ms. Dong Ping. The audit committee has reviewed the Group's unaudited condensed consolidated financial statements for the nine months ended 31 December 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, 11 February 2019

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 a non-executive Director; and Mr. Wang Wei, Ms. Dong Ping and Mr. Zhu Da as independent non-executive Directors.