STEED ORIENTAL (HOLDINGS) COMPANY LIMITED
駿東(控股)有限公司
(Incorporated in the Cayman Islands with members' limited liability)
(Stock Code: 8277)

THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 31 DECEMBER 2019

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 2019, together with comparative unaudited figures for the corresponding periods in 2018 as follows:

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

For the three months and nine months ended 31 December 2019

		Three months ended 31 December		**Nine months ended 31 December**	
	NOTES	**2019**	2018	**2019**	2018
		HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Revenue	*3*	**80,061**	57,743	**178,480**	193,779
Cost of sales		**(61,883)**	(47,758)	**(147,106)**	(160,905)
Gross profit		**18,178**	9,985	**31,374**	32,874
Other income/(loss)		**1,422**	(396)	**(1,231)**	238
Selling expenses		**(2,283)**	(1,726)	**(4,513)**	(5,573)
Administrative and other expenses		**(10,293)**	(6,058)	**(28,683)**	(19,598)
Profit/(loss) from operations		**7,024**	1,805	**(3,053)**	7,941
Finance costs		**(2,581)**	(309)	**(8,555)**	(892)
Profit/(loss) before taxation		**4,443**	1,496	**(11,608)**	7,049
Income tax	*4*	**(487)**	(627)	**(293)**	(2,943)
Profit/(loss) for the period attributable to equity shareholders of the Company		**3,956**	869	**(11,901)**	4,106
Other comprehensive income/(expense)					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translating foreign operations		**1,048**	113	**(3,255)**	(7,885)
Other comprehensive income/(expense) for the period		**1,048**	113	**(3,255)**	(7,885)
Total comprehensive income/(expense) for the period attributable to equity shareholders of the Company		**5,004**	982	**(15,156)**	(3,779)
Earning/(loss) per share	*6*				
– Basic and diluted *(HK cents)*		**1.81**	0.40	**(5.44)**	1.88

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 December 2019

	Attributable to equity shareholders of the Company					
	Share capital	**Share premium**	**Other reserve**	**Exchange reserve**	**Accumulated losses**	**Total equity**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Balance at 1 April 2019 (audited)	**2,187**	**72,403**	**41,355**	**(2,491)**	**(25,112)**	**88,342**
Changes in equity for the nine months ended 31 December 2019:						
Loss for the period	**–**	**–**	**–**	**–**	**(11,315)**	**(11,315)**
Other comprehensive expense for the period	**–**	**–**	**–**	**(3,255)**	**–**	**(3,255)**
Total comprehensive expense for the period	**–**	**–**	**–**	**(3,255)**	**(11,315)**	**(14,570)**
Balance at 31 December 2019 (unaudited)	**2,187**	**72,403**	**41,355**	**(5,746)**	**(36,427)**	**73,772**

	Attributable to equity shareholders of the Company					
	Share capital	Share premium	Other reserve	Exchange reserve	Accumulated losses	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2019

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 other wooden products.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong 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 "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 2019 comprise the Company and its subsidiaries.

As at 31 December 2019, the Group has net current liabilities of approximately HK$59.5 million. Considering that the two largest shareholders of the Company have agreed to provide continual financial support and adequate funds to the Group, the directors of the Company are of the opinion that the Group would have adequate funds to meet its liabilities as and when they fall due for at least twelve months from the end of the reporting period. Accordingly, the directors of the Company consider it is appropriate to prepare the consolidated financial statements on a going concern basis.

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 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 new HKFRSs and amendments to HKFRSs that are first effective for the accounting period of the Group from 1 April 2018 to 31 March 2019. Of these, the following developments are relevant to the Group's financial statements:

(i) HKFRS 9, *Financial instruments*

(ii) HKFRS 15, *Revenue from contracts with customers*

(iii) HK(IFRIC) 22, *Foreign currency transactions and advance consideration*

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

(i) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation

HKFRS 9 replaces HKAS 39, Financial instruments: recognition and measurement. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 April 2018 in accordance with the transition requirements. The adoption of HKFRS 9 does not have a significant impact on the opening balance of equity at 1 April 2018.

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

a. Classification of financial assets and financial liabilities

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics. Under HKFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

The measurement categories and carrying amounts for each class of the Group's financial assets under HKFRS 9 are the same as those under HKAS 39 at 1 April 2018.

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities at 1 April 2018 have not been impacted by the initial application of HKFRS 9.

The Group did not designate or de-designate any financial asset or financial liability at FVPL at 1 April 2018.

b. Credit losses

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the "expected credit loss" (ECL) model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model to the following items:

- financial assets measured at amortised cost (including cash and cash equivalents and trade and other receivables);
- contract assets.

This change in accounting policy does not have a significant impact on the opening balance of equity at 1 April 2018 as compared with that recognised under HKAS 39 and accordingly, no additional ECLs has been recognised by the Group at 1 April 2018.

c. Transition

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

– The assessment of the determination of the business model within which a financial asset is held has been made on the basis of the facts and circumstances that existed at 1 April 2018 (the date of initial application of HKFRS 9 by the Group).

– If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

(ii) HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, Revenue, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, Construction contracts, which specified the accounting for construction contracts.

HKFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The Group has elected to use the cumulative effect transition method and there is no impact to the opening balance of equity at 1 April 2018 on the initial application of HKFRS 15. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 April 2018.

Further details of the nature and effect of the changes on previous accounting policies are set out below:

a. Timing of revenue recognition

Previously, revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers, whereas, revenue arising from construction contracts and provision of services was recognised over time.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

A. When the customer simultaneously receives and consumes the benefits provided by the entity’s performance, as the entity performs;

B. When the entity’s performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

C. When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The adoption of HKFRS 15 does not have a significant impact on the opening balance as at 1 April 2018. However, in future periods it may have a material impact on certain made-to-order manufacturing arrangements with customers where the Group manufactures the products in accordance with the customer's specification and under the contract the Group has the right to be paid for work done to date if the customer were to cancel the contract before the order was fully completed. These contracts therefore satisfy the criteria for recognising revenue over time during the manufacturing process, whereas previously the sales of goods was recognised at a point of time. There were no such arrangements previously until the Group acquired a subsidiary in March 2019 which has certain made-to-order wooden product arrangements with customers.

b. Presentation of contract assets and liabilities

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

The adoption of HKFRS 15 does not have a significant impact on the presentation of assets and liabilities at 1 April 2018, and accordingly, no adjustment has been made in this regard.

(iii) HK(IFRIC) 22, Foreign currency transactions and advance consideration

This Interpretation provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The Interpretation clarifies that "the date of the transaction" is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of HK(IFRIC) 22 does not have any material impact on the financial position and the financial result of the Group.

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	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Sales of general plywood	**33,709**	42,846	**84,265**	143,442
Sales of packing plywood	**1,189**	2,056	**4,166**	7,837
Sales of structural panel	**29,639**	4,597	**47,551**	14,901
Sales of floor base	**391**	1,599	**1,205**	6,719
Others	**15,133**	6,645	**41,293**	20,880
	80,061	57,743	**178,480**	193,779

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	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Japan	**43,985**	47,034	**101,337**	163,366
Mainland China	**33,380**	6,643	**68,993**	21,391
Thailand	**1,357**	1,564	**3,088**	3,275
Hong Kong	**1,339**	2,043	**4,554**	4,468
Other countries or areas	**–**	459	**508**	1,279
	80,061	57,743	**178,480**	193,779

4 INCOME TAX

	(Unaudited) Three months ended 31 December		(Unaudited) Nine months ended 31 December	
	2019	2018	**2019**	2018
	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	**–**	–	**–**	1,015
– Provision for Hong Kong Profits Tax for the period	**(77)**	815	**(28)**	1,930
– Over-provision for PRC Corporate Income Tax in prior period	**252**	(17)	**252**	–
	175	798	**224**	2,945
Deferred taxation:				
– Origination and reversal of temporary differences	**(26)**	–	**(11)**	(8)
– The PRC Withholding Tax on retained profits to be distributed	**338**	(171)	**80**	6
	487	627	**293**	2,943

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 2019 (2018: 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 2019 (2018: 25%).

5 DIVIDENDS

The Board does not recommend the payment of a dividend for the nine months ended 31 December 2019.

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) Three months ended 31 December		**(Unaudited) Nine months ended 31 December**	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Profit/(loss) attributable to the equity shareholders of the Company	**3,956**	869	**(11,901)**	4,106

Weighted average number of ordinary shares

	Three months ended 31 December		**Nine months ended 31 December**	
	2019	2018	**2019**	2018
	'000	*'000*	***'000***	*'000*
Weighted average number of ordinary shares at 1 April and 31 December	**218,733**	218,733	**218,733**	218,733

(b) Diluted earning/(loss) per share

There was no difference between the basic and diluted earning/(loss) per share as there were no dilutive potential shares outstanding for the three months ended and nine months ended 31 December 2019.

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.

MANAGEMENT DECISIONS AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the sourcing, manufacturing and sale of plywood products and other wooden products. The Group's major 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 wooden products.

The competition in the plywood market among countries was keen. The recent Sino-US trade war has caused global economic uncertainty, and our customers has significantly reduced their orders. Our sales volume of plywood products decreased by about 7.6% from approximately 46,568 cubic meters for the nine months ended 31 December 2018 to approximately 43,035 cubic meters for the nine months ended 31 December 2019. The decrease in the average unit cost of sales resulting in the increase in the gross profit margin of approximately 0.6% to approximately 17.6% for the nine months ended 31 December 2019 (2018: approximately 17.0%).

To cope with the continued keen competition in the plywood market among countries and severe global market conditions, 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 improve the performance of the Group.

FINANCIAL REVIEW

Revenue

During the nine months ended 31 December 2019, the Group recorded the revenue of approximately HK$178.5 million, representing an approximately 7.9% decrease comparing to the previous period (2018: approximately HK$193.8 million). The decrease was mainly attributable to a fall in orders received from the existing customers led by the weakened plywood demand from Japan and the fall in average unit selling price of the plywood products.

Gross profit margin

The gross profit margin of the Group increased from approximately 17.0% for the nine months ended 31 December 2018 to approximately 17.6% for the nine months ended 31 December 2019. The major reason for such increase was due to the decrease in the average unit cost of sales for the nine months ended 31 December 2019.

Selling expenses

The selling expenses decreased by approximately 19.6% from approximately HK$5.6 million for the nine months ended 31 December 2018 to approximately HK$4.5 million for the nine months ended 31 December 2019. The decrease was mainly due to the decrease in the sales volume of plywood products.

Profit/(loss) for the period

The Group recorded a loss of approximately HK$11.9 million for the nine months ended 31 December 2019 compared to a profit of approximately HK$4.1 million for the nine months ended 31 December 2018.

The change was mainly due to i) the decrease in gross profit as the combined effect of the decrease in sales volume and the fall in average unit selling price of the plywood products as described above resulting in the decrease in gross profit by approximately HK$1.5 million to approximately HK$31.4 million for the nine months ended 31 December 2019 (2018: approximately HK$32.9 million); ii) the change in other income/loss by approximately HK$1.4 million to an other loss of approximately HK$1.2 million for the nine months ended 31 December 2019 (2018: other income of approximately HK$0.2 million other income); iii) the increase in administrative and other expenses by approximately HK$9.1 million to approximately HK$28.7 million for the nine months ended 31 December 2019 (2018: approximately HK$19.6 million); and iv) the increase in the finance costs by approximately HK$7.7 million to approximately HK$8.6 million for the nine months ended 31 December 2019 as a result of the sharp increase in the bank and other borrowings (2018: approximately HK$0.9 million). Such decrease was offset by i) the decrease in selling expenses by approximately HK$1.1 million to approximately HK$4.5 million for the nine months ended 31 December 2019 (2018: approximately HK$5.6 million); and ii) the change in the income tax by approximately HK$2.6 million to a net tax credit of approximately HK$0.3 million for the nine months ended 31 December 2019 (2018: net tax charge of approximately HK$2.9 million).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group's working capital needs and other capital requirements have been met through a combination of shareholders' equity, cash generated from operations, advances from shareholders 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 and other 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 2019, 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 2019, the Group maintained cash and cash equivalents amounting to approximately HK$13.1 million (as at 31 March 2019: approximately HK$14.0 million). The Group recorded net current liabilities of approximately HK$59.5 million as at 31 December 2019 (as at 31 March 2019: net current liabilities of approximately HK$74.3 million).

As at 31 December 2019, the Group's total bank and other borrowings, all being denominated in Renminbi or United States dollars, amounted to approximately HK$144.5 million (as at 31 March 2019: approximately HK$175.6 million).

As at 31 December 2019, 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 2019, the Group's gearing ratio (calculated by dividing total liabilities by total assets as at the end of financial period) was approximately 81.3% (as at 31 March 2019: approximately 79.4%).

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2019, the Group's trade receivables of approximately HK$3.2 million were charged to secure discounted export bills with full recourse.

As at 31 December 2019, the Group's land use rights of carrying amount of approximately HK$26.6 million were charged to secure bank borrowings of approximately HK$28.7 million.

CONTINGENT LIABILITIES

As at 31 December 2019, there were no significant contingent liabilities for the Group.

CAPITAL COMMITMENTS

As at 31 December 2019, the capital commitments in respect of buildings, and machinery and equipment contracted for but not provided for the consolidated financial statements were approximately HK$4.2 million (as at 31 March 2019: approximately HK$3.5 million).

FUTURE PROSPECTS

Up to the date of this announcement, the main construction work of the new Jiangmen production plant in Dong Mu Shan Industrial Park has been completed and the relocation has started at the end of July 2019.

The current Jiangmen 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"). Due to the delay in the construction of new Jiangmen production plant, in order to minimize the impact of relocation on the Group's production and sales and ensure the smoothness of the relocation work, the Group has signed a new tenancy agreement with the landlord to extend lease term of the current tenancy agreement to 31 December 2019. As the customers' order placing has affected the current production plan, hereby affecting our relocation plan which had led to a delay in the relocation progress, the Group has signed another new tenancy agreement on 22 December 2019 to further extend the lease term of the current Jiangmen production plant to 31 March 2020. The current outbreak of Wuhan Pneumonia may have significant effect on the operations of our PRC subsidiaries and the relocation progress of our production plant in Jiangmen. The Group will pay closely attention to the further development of Wuhan Pneumonia to consider the impact of the epidemic on the Group. The Group considers that the proposed relocation of the production plant would not cause any material impact on the operation of the Group.

Currently, customers of the Group are mainly scattered in Japan, 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.

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）("Hebei Jiapin") , has been purchased, 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.

The Group's current product mix mainly includes the processing and sale of various plywood products sold to overseas customers mainly in Japan and the sale of plywood and other wooden products in Northern China. In order to further develop the Northern China plywood and wooden products market, to widen the product range of the Group and to achieve economies of scale, Hebei Jiapin has acquired Hebei Youlin Technology Company Limited*（河北優林科技有限公司）("Hebei Youlin") as an indirect wholly-owned subsidiary of the Company. Hebei Youlin is primarily engaged in the sourcing, manufacturing and sale of wooden products.

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 continue to 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.

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 2019, 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

	Number of ordinary share held, capacity and nature of interest			
Name of Director	**Directly and beneficially owned**	**Through controlled corporations**	**Total**	**Approximate percentage of the Company's issued share capital**
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 2019.

Save as disclosed above, as at 31 December 2019, 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 2019, 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 2019, 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 2019.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

During the nine months ended 31 December 2019, 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 2019 and as of 31 December 2019, no share options were outstanding.

During the nine months ended 31 December 2019, no share options were granted pursuant to the Share Option Scheme.

As at 31 December 2019, none of the Directors or employees held any share options of the Company under the Share Option Scheme.

EVENTS AFTER THE REPORTING PERIOD

No significant events have taken place subsequent to 31 December 2019 and up to the date of this announcement.

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 2019 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 2020

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.