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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)

**MAJOR TRANSACTION IN RELATION TO
THE DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF
THE TARGET COMPANY**

THE DISPOSAL

On 16 February 2022 (after trading hours), the Company, being the vendor, entered into the Sale and Purchase Agreement with the Purchaser, pursuant to which the Purchaser has conditionally agreed to purchase, and the Company has conditionally agreed to sell, the Sale Shares, representing the entire issued share capital of the Target Company, at the Consideration of HK\$47,707,803 in cash.

Upon the Completion, the Target Group will cease to be subsidiaries of the Company and its financial results will no longer be consolidated into the consolidated financial statements of the Group.

GEM LISTING RULES IMPLICATIONS

As more than one of the applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the Disposal exceed 25% but all of them are less than 75%, the Disposal constitutes a major transaction of the Company and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholders or any of their respective associate(s) have any material interest in the Sale and Purchase Agreement and the transactions contemplated thereunder. As such, no Shareholder is required to abstain from voting under the GEM Listing Rules on the resolution approving the Disposal.

WRITTEN SHAREHOLDERS' APPROVAL

As at the date of this announcement, Ms. Sun, being the chairman of the Company and the executive Director, holds 123,041,695 Shares, representing approximately 46.88% of the total number of issued Shares. In addition, Mr. Xue, being the executive Director, holds 27,978,425 Shares, representing approximately 10.66% of the total number of issued Shares. Accordingly, Ms. Sun and Mr. Xue in aggregate hold 151,020,120 Shares, representing approximately 57.54% of the total number of issued Shares.

Accordingly, pursuant to Rule 19.44 of the GEM Listing Rules, a written shareholders' approval from Ms. Sun and Mr. Xue has been obtained and accepted in lieu of holding a general meeting of the Company to approve the terms of, and the transactions contemplated, under the Sale and Purchase Agreement upon satisfaction of the conditions set out under Rule 19.44 of the GEM Listing Rules. As such, no general meeting of the Company will be convened to approve the Disposal.

GENERAL

A circular of the Company containing, among other matters, (i) further details of the Sale and Purchase Agreement and the transactions contemplated thereunder; and (ii) other information as required under the GEM Listing Rules is expected to be despatched to the Shareholders on or before 9 March 2022.

Shareholders and potential investors of the Company should note that the Completion is subject to the fulfilment of the conditions precedent set out in the Sale and Purchase Agreement and therefore may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

THE DISPOSAL

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THE SALE AND PURCHASE AGREEMENT

The principal terms of the Sale and Purchase Agreement are as follows:

Date

16 February 2022 (after trading hours)

Parties

Vendor: The Company

Purchaser: Faith Sino Ventures Limited

(each a “Party” and collectively, the “Parties”)

As at the date of this announcement, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined in the GEM Listing Rules).

Assets to be disposed of

Pursuant to the Sale and Purchase Agreement, the Company, as the legal and beneficial owner, shall sell and the Purchaser shall purchase the Sale Shares, together with all the rights attaching to the Sale Shares on or after the Completion Date (including the receipt of dividend and profit distributions declared, distributed or paid on or after the Completion Date). The Sale Shares shall be free from any encumbrances, equitable interests, claims and adverse interests.

Consideration

The Consideration is HK\$47,707,803 which shall be settled by cash at the Completion.

The Consideration was determined after arm’s length negotiations between the Parties with reference to, among other things, the unaudited consolidated net liabilities of the Target Group of HK\$18,781,688 as at 30 September 2021 and the shareholder’s loan of HK\$66,489,491 due and owing by the Target Group to the Company as at 30 September 2021 (the “Shareholder’s Loan”). For avoidance of doubt, the Consideration has included the Sale Shares and the repayment of Shareholder’s Loan owed by the Target Group to the Company. The Directors consider that the Consideration is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

Conditions precedent

The Completion shall be subject to and conditional upon the fulfillment of the following conditions precedent:

- (a) the Parties having completed their respective necessary internal and external vetting procedures in respect of the Disposal, and having obtained necessary permissions, approvals, licenses, consents, authorisations and/or waivers, including vetting and approval by any regulatory authorities (if applicable);
- (b) the Company having obtained all approvals from the Stock Exchange in accordance with the GEM Listing Rules in respect of the transactions contemplated under the Sale and Purchase Agreement, and such approvals not having been cancelled or revoked before the Completion, and the Stock Exchange not having ruled the transactions contemplated under the Sale and Purchase Agreement as very substantial disposal, reverse takeover or extreme transaction under the GEM Listing Rules;
- (c) the Shareholders having approved all resolutions in relation to, including but not limited to, the Sale and Purchase Agreement and the transactions contemplated thereunder at the general meeting of the Company (or written approval given by a Shareholder or a closely allied group of Shareholders who hold or collectively hold more than 50% voting rights of the Company); and
- (d) the Company having complied with all the regulations under the GEM Listing Rules in respect of the Disposal and other transactions contemplated under the Sale and Purchase Agreement, and to the satisfaction of the Stock Exchange and the Securities and Futures Commission of Hong Kong.

All the conditions precedent above cannot be waived.

If the conditions precedent above have not been fulfilled on or before the Long Stop Date or such later date as the Parties may agree in writing, the Sale and Purchase Agreement shall be terminated, and no Party shall have any liability against the other Party under the Sale and Purchase Agreement, save for (a) antecedent breaches of any obligation under the Sale and Purchase Agreement; and (b) termination shall not affect the accumulated rights and responsibilities of both Parties and shall not be prevented from certain terms as set out in the Sale and Purchase Agreement.

The Company shall use its best endeavours to procure all conditions precedent (a) to (d) above have been fulfilled before the Long Stop Date.

Completion

The Completion shall take place on the Completion Date or such other date as the Parties may agree in writing. The Consideration shall be settled by cash upon the Completion.

Upon the Completion, the Target Group will cease to be subsidiaries of the Company and its financial results will no longer be consolidated into the consolidated financial statements of the Group.

INFORMATION ON THE PURCHASER

The Purchaser is a company incorporated in the British Virgin Islands with limited liability. It is principally engaged in investment holding. As at the date of this announcement, the Purchaser is owned as to 51% by Mr. Huang Jianting (黃健庭) (“**Mr. Huang**”) and 49% by Ms. Li Ziyun (李紫雲) (“**Ms. Li**”).

Mr. Huang and Ms. Li also hold a trading company, which is owned as to 51% by Mr. Huang and 49% by Ms. Li, and such trading company has been a customer of the Target Group since 2019. The trading company is principally engaged in the trading of plywood products.

Upon the Completion, the Purchaser will move upstream and achieve vertical integration in their business process.

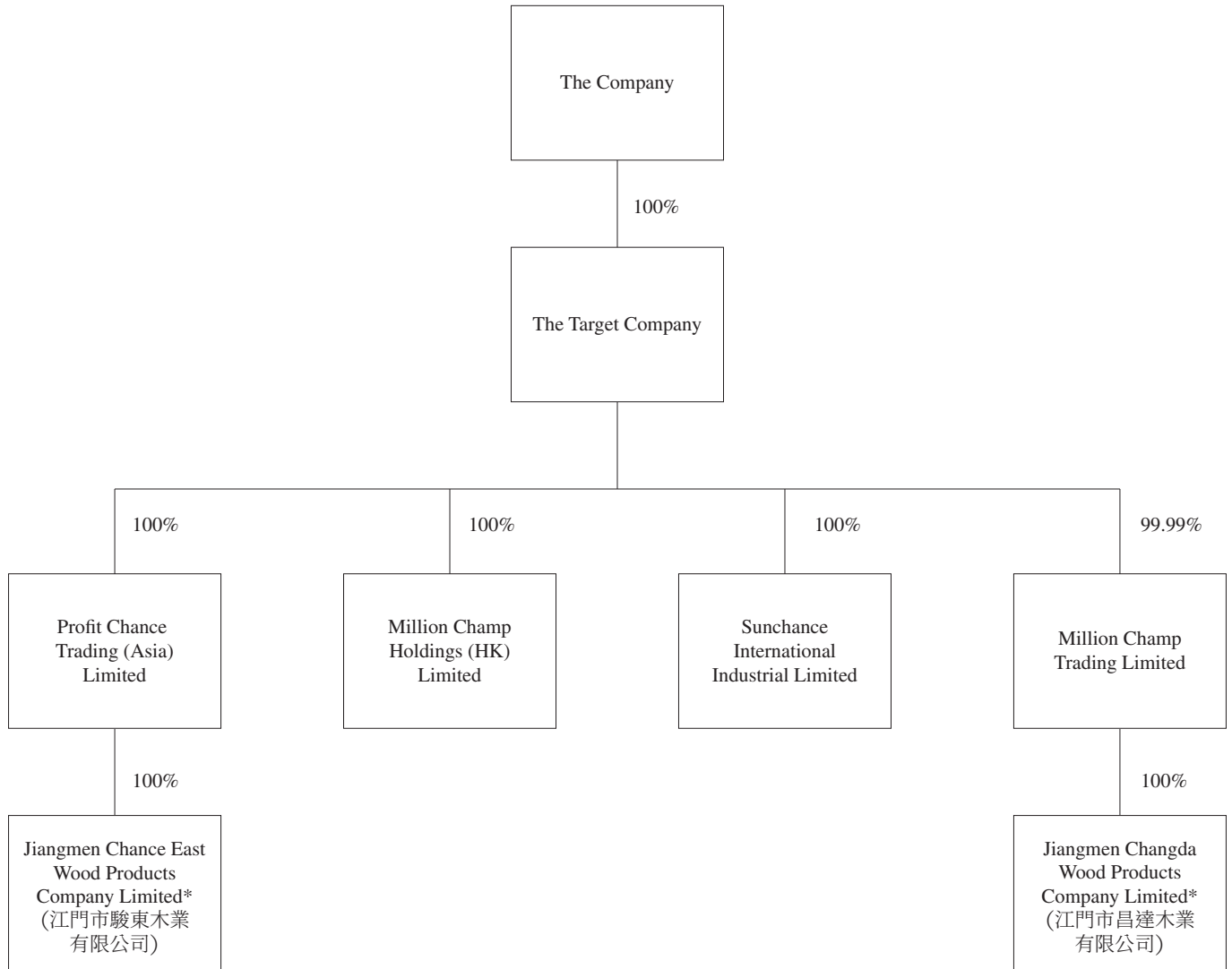
INFORMATION ON THE GROUP

The principal activity of the Company is investment holding. The Group is principally engaged in the sourcing, manufacturing and sale of plywood products and other wooden products.

INFORMATION ON THE TARGET GROUP

The Target Company is a company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of the Company. It is principally engaged in investment holding. The Target Group is principally engaged in sourcing, manufacturing and sale of plywood products.

As at the date of the Sale and Purchase Agreement, the shareholding structure of the Target Group is as follows:



Set out below is a summary of the consolidated financial information of the Target Group extracted from the audited financial statements for the years ended 31 March 2020 and 31 March 2021:

	For the year ended 31 March 2020	For the year ended 31 March 2021
	(Audited)	(Audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>approximately</i>	<i>approximately</i>
Turnover	138,207	98,578
Loss before taxation	28,519	12,477
Loss after taxation	28,368	12,263

The unaudited consolidated net liabilities of the Target Group as at 30 September 2021 based on the unaudited consolidated financial statements of the Target Group was HK\$18,781,688.

FINANCIAL EFFECT OF THE DISPOSAL

It is estimated that the Company will record a loss of approximately HK\$0.8 million (after deducting the estimated professional fees and other related expenses of approximately HK\$0.8 million) on the Disposal, after taking into account the difference between the Consideration, the unaudited consolidated net liabilities of the Target Group of HK\$18,781,688 as at 30 September 2021 and the Shareholder's Loan of HK\$66,489,491 as at 30 September 2021. The actual gain or loss to be recorded by the Company depends on the consolidated net liabilities of the Target Group as at the date of the Completion, which is subject to final audit to be performed by the auditors of the Company.

REASONS FOR AND BENEFITS OF THE DISPOSAL AND USE OF PROCEEDS

The net proceeds from the Disposal, after deducting costs and expenses relating to the Disposal, are expected to be approximately HK\$46.9 million. The Company intends to apply the net proceeds for repayment of existing bank borrowings and general working capital of the Group to develop and expand the domestic market of wooden products such as wooden structural panel, wooden doors and windows and wooden furnitures in the PRC.

The Group is currently engaging its business in the domestic market and the overseas markets. According to the annual report of the Company for the year ended 31 March 2021, the customers of the Group are scattered from Japan, the PRC, Thailand, Hong Kong and other countries. Japan and the PRC are two major markets of the Group. Through the Disposal, the Company aims to reallocate the resources of the overseas markets and concentrate on the development of the domestic market, as the Directors consider that it may not be a good time to develop the overseas markets under the recent economic outlook, challenges and uncertainties.

The financial performance of the Target Group has been declining since 2019. The turnover and the gross profit of the Target Group for the year ended 31 March 2020 decreased by approximately 34.24% and 57.68% respectively as compared to 31 March 2019. The Target Group turned around from profit to loss during the same financial year. As for the year ended 31 March 2021, the turnover and the gross profit of the Target Group further decreased by approximately 28.67% and 7.69% respectively as compared to 31 March 2020.

The Directors have reviewed the plywood market in Japan. As affected by the Sino-US trade war which caused global economic uncertainty, overseas customers of the Group, especially the Japanese customers became more cautious when placing their purchasing orders. According to the report published by the Wood Products Trade Office of the Forestry Agency in Japan in June 2021 in relation to Japan's wood imports in 2020, the volume of plywood imports in Japan has shown a declining trend since 2018. From 2018 to 2020, the total volume of plywood imports has dropped by approximately 27.03%. Also, the market share of plywood imports in Japan is dominated by Malaysia and Indonesia, whereas the PRC is only a relatively small supplier. The Company is therefore of the view that the plywood market in Japan is too competitive, and the Disposal will allow the Company to put its focus on the structural panel and other wooden products markets in the PRC. The Company will not allocate resources in overseas markets for the time being.

After considering and reviewing the conditions of the overseas plywood market, the Company is of the view that the Disposal can reduce the finance costs and operating costs of the Company. And the net proceeds from the Disposal will provide further financial resources for the Group such to improve its financial performance and financial position for future development in the market of the PRC.

Upon the Completion, the Group will remain to be engaged in manufacturing, sourcing, trading and sale of wooden products including but not limited to wooden building components, other wooden products such as wooden structural panel, wooden doors and windows and wooden furnitures.

The Group's manufacturing plant with the site area of 157,182 sq.m. located in Ningjin County in the PRC will continue to operate upon the Completion.

During recent years under the pandemic environment, in comparing to the overseas market, the Group's business performance in the PRC remained stable and did not have significant impact. In view of the prospect of the wooden product market in the PRC, the Group will put its focus on the development of the domestic market in the PRC. The Group will use its best endeavours to develop its business in Northeast China, and at the same time seek for opportunities to expand its customer base in the rest of the PRC.

In light of the above, the Directors consider that the terms of the Sales and Purchase Agreement are on normal commercial terms, fair and reasonable, and the Disposal is in the interests of the Company and the Shareholders as a whole.

GEM LISTING RULES IMPLICATIONS

As more than one of the applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the Disposal exceed 25% but all of them are less than 75%, the Disposal constitutes a major transaction of the Company and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholders or any of their respective associate(s) have any material interest in the Sale and Purchase Agreement and the transactions contemplated thereunder. As such, no Shareholder is required to abstain from voting under the GEM Listing Rules on the resolution approving the Disposal.

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As at the date of this announcement, Ms. Sun, being the chairman of the Company and the executive Director, holds 123,041,695 Shares, representing approximately 46.88% of the total number of issued Shares. In addition, Mr. Xue, being the executive Director, holds 27,978,425 Shares, representing approximately 10.66% of the total number of issued Shares. Accordingly, Ms. Sun and Mr. Xue in aggregate hold 151,020,120 Shares, representing approximately 57.54% of the total number of issued Shares.

Accordingly, pursuant to Rule 19.44 of the GEM Listing Rules, a written shareholders' approval from Ms. Sun and Mr. Xue has been obtained and accepted in lieu of holding a general meeting of the Company to approve the terms of, and the transactions contemplated, under the Sale and Purchase Agreement upon satisfaction of the conditions set out under Rule 19.44 of the GEM Listing Rules. As such, no general meeting of the Company will be convened to approve the Disposal.

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Shareholders and potential investors of the Company should note that the Completion is subject to the fulfilment of the conditions precedent set out in the Sale and Purchase Agreement and therefore may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“associate(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Board”	the board of Directors
“Business Day”	any day (except for Saturdays, Sundays, or public holidays, or days on which a tropical cyclone warning signal no.8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at 10:00 a.m.) on which licensed banks in Hong Kong are generally open for business

“Company”	Steed Oriental (Holdings) Company Limited, a company incorporated in the Cayman Islands with members’ limited liability and the issued Shares of which are listed on GEM
“Completion”	completion of the Disposal in accordance with the terms and conditions of the Sale and Purchase Agreement
“Completion Date”	the date of the Completion, which shall be any day within five Business Days after the fulfillment of the conditions precedent of the Sale and Purchase Agreement (or such other date as the other Parties may agree)
“Consideration”	the consideration of the Disposal to be paid by the Purchaser to the Company, being HK\$47,707,803
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Shares
“GEM”	the GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Long Stop Date”	30 June 2022 or such later date as the Parties may agree in writing
“Mr. Xue”	Mr. Xue Zhao Qiang, being the executive Director
“Ms. Sun”	Ms. Sun Xue Song, being the chairman of the Company and the executive Director
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	Faith Sino Ventures Limited, a company incorporated in the British Virgin Islands with limited liability

“Sale and Purchase Agreement”	the sale and purchase agreement dated 16 February 2022 entered into between the Company and the Purchaser in relation to the Disposal
“Sale Shares”	a total of 100,000 shares of the Target Company to be sold by the Company to the Purchaser according to the Sale and Purchase Agreement, being the entire issued share capital of the Target Company
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	CD Enterprises Company Limited, a company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of the Company
“Target Group”	the Target Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“%”	per cent.

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

Hong Kong, 16 February 2022

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

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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.

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

* For identification purposes only