

Interim Report  
2015



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

(incorporated in the Cayman Islands with limited liability)  
Stock Code: 8277



**CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“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 report, 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 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 report 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 document 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 six months ended 30 September 2015, together with comparative figures for the corresponding periods in 2014 as follows:

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

*For the three months and six months ended 30 September 2015*

		Three months ended 30 September		Six months ended 30 September	
	NOTES	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2014 HK\$'000 (audited)
Revenue	4	77,101	84,460	142,526	170,961
Cost of goods sold		(66,431)	(74,876)	(122,369)	(149,455)
Gross profit		10,670	9,584	20,157	21,506
Other income		160	238	162	316
Other (losses) gains		(721)	887	(1,214)	1,289
Selling and distribution costs		(4,622)	(2,323)	(6,413)	(4,644)
Administrative expenses		(4,773)	(4,178)	(10,470)	(9,266)
Listing expenses		–	–	–	(1,200)
Finance costs	5	(340)	(331)	(586)	(650)
Profit before taxation	6	374	3,877	1,636	7,351
Taxation	7	(812)	(1,579)	(1,541)	(2,559)
(Loss) profit for the period attributable to owners of the Company		(438)	2,298	95	4,792

NOTES	Three months ended 30 September		Six months ended 30 September	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2014 HK\$'000 (audited)
Other comprehensive (expense) income				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences arising on translating foreign operations	(1,064)	409	(1,059)	469
Fair value (loss) gain on available-for-sale investments	(247)	141	(516)	73
Reclassification adjustment relating to available-for-sale investments disposal of during the period	–	–	(106)	–
Other comprehensive (expense) income for the period	(1,311)	550	(1,681)	542
Total comprehensive (expense) income for the period attributable to owners of the Company	(1,749)	2,848	(1,586)	5,334
(Loss) earnings per share – basic (HK cents)	(0.22)	1.92	0.05	4.01*

\* *unaudited*



**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION***As at 30 September 2015*

	NOTES	As at 30 September 2015 HK\$'000 (unaudited)	As at 31 March 2015 HK\$'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment		13,389	13,506
Prepaid lease payment		15,927	16,507
Available-for-sale investments		391	820
Rental deposits		158	163
		<b>29,865</b>	<b>30,996</b>
<b>Current assets</b>			
Inventories		31,875	40,353
Prepaid lease payment		336	346
Available-for-sale investments		2,621	–
Trade and other receivables	10	25,031	13,747
Amounts due from shareholders		10	10
Taxation recoverable		12	–
Bank balances and cash		79,701	65,212
		<b>139,586</b>	<b>119,668</b>
<b>Current liabilities</b>			
Trade and other payables	11	41,395	22,846
Derivative financial instruments	12	625	–
Taxation payable		1,845	1,620
Obligations under a finance lease – due within one year		347	342
Bank borrowings – due within one year	13	34,801	33,680
		<b>79,013</b>	<b>58,488</b>

NOTES	As at 30 September 2015 HK\$'000 (unaudited)	As at 31 March 2015 HK\$'000 (audited)
Net current assets	60,573	61,180
Total assets less current liabilities	90,438	92,176
Non-current liabilities		
Obligations under a finance lease – due after one year	88	263
Deferred taxation	694	671
	782	934
Net assets	89,656	91,242
Capital and reserves		
Capital	2,000	2,000
Reserves	87,656	89,242
Total equity	89,656	91,242



**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY***For the six months ended 30 September 2015*

	Attributable to owners of the Company						
	Capital	Share	Other	Investment	Translation	Accumulated	Total
	HK\$'000	premium	reserve	revaluation	reserve	losses	HK\$'000
	HK\$'000	HK\$'000	HK\$'000	reserve	HK\$'000	HK\$'000	HK\$'000
At 1 April 2014 (audited)	790	–	7,223	(104)	(645)	(5,409)	1,855
Profit for the period	–	–	–	–	–	4,792	4,792
Exchange differences on translation	–	–	–	–	469	–	469
Fair value gain on available-for-sale investments	–	–	–	73	–	–	73
Other comprehensive income for the period	–	–	–	73	469	–	542
Total comprehensive income for the period	–	–	–	73	469	4,792	5,334
At 30 September 2014 (audited)	790	–	7,223	(31)	(176)	(617)	7,189
At 1 April 2015 (audited)	2,000	51,628	41,355	106	(557)	(3,290)	91,242
Profit for the period	–	–	–	–	–	95	95
Exchange differences on translation	–	–	–	–	(1,059)	–	(1,059)
Fair value loss on available-for-sale investments	–	–	–	(516)	–	–	(516)
Reclassification adjustment relating to available-for-sale investments disposed of during the period	–	–	–	(106)	–	–	(106)
Other comprehensive expense for the period	–	–	–	(622)	(1,059)	–	(1,681)
Total comprehensive (expense) income for the period	–	–	–	(622)	(1,059)	95	(1,586)
At 30 September 2015 (unaudited)	2,000	51,628	41,355	(516)	(1,616)	(3,195)	89,656

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS***For the six months ended 30 September 2015*

	Six months ended 30 September	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (audited)
Net cash generated from operating activities	18,112	11,536
Net cash used in investing activities	(3,988)	(1,083)
Net cash generated from (used in) financing activities	365	(10,959)
Net increase (decrease) in cash and cash equivalents	14,489	(506)
Cash and cash equivalents at beginning of the period	65,212	21,612
Cash and cash equivalents at end of the period, representing bank balances and cash	79,701	21,106





**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS***For the six months ended 30 September 2015***1. GENERAL**

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 7 August 2013 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Its shares have been listed on GEM of the Stock Exchange on 23 February 2015.

The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. Its principal place of business is located at 11th Floor, Prosperity Industrial Building, 89 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong. The Company is an investment holding company. The Group is principally engaged in sourcing, manufacturing and sale of plywood products and trading of round logs.

The unaudited condensed consolidated financial statements are presented in Hong Kong dollars ("HK\$"), while the functional currency of the Company is United States dollars. The reason for selecting Hong Kong dollars as its presentation currency is because the Directors considered it is more beneficial for the users of the unaudited condensed consolidated financial statements as the Company's shares are listed on the Stock Exchange.

**2. BASIS OF PRESENTATION**

The operation of the Group has been carried out by CD Enterprises and its subsidiaries prior to the group reorganisation (the "Group Reorganisation") set out below. CD Enterprises was wholly owned by Mr. Huang Dong Sheng ("Mr. Huang"), Ms. Wong Sut Keng (sister of Mr. Huang) and Ms. Wong Hang Kuen (another sister of Mr. Huang) (collectively referred to as the "Huang's Family") before the acquisition of the Green Global Group in March 2013. Upon completion of the acquisition of the Green Global Group, CD Enterprises was owned as to 70% by the investment holding companies owned by the Huang's Family and 30% by the 9 individual shareholders of Duke Glory, who were the then beneficial shareholders of Green Global (the "Green Global Shareholders").

To effect the Group Reorganisation, on 9 February 2015, each of the investment holding companies owned by the Huang's Family and the Green Global Shareholders transferred their respective shareholdings in CD Enterprises, which in aggregate amounting to HK\$780,000, to the Company in consideration of the allotment and issuance of the Company's shares. Upon completion of the transfer, the Company became the holding company of CD Enterprises on 9 February 2015.

The Group resulting from the Group Reorganisation, which involves interspersing the Company between CD Enterprises and the then shareholders of CD Enterprises, is regarded as a continuing entity. Accordingly, the condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 September 2014 have been prepared to include the results of the companies now comprising the Group as if the group structure upon the completion of the Group Reorganisation had been in existence for that period.

### 3. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements of Hong Kong Companies Ordinance. In addition, the unaudited condensed consolidated financial statements include applicable disclosures required by the GEM Listing Rules.

The accounting policies adopted in preparing the unaudited condensed consolidated financial statements for the periods are consistent with those followed in the preparation of the annual report for the year ended 31 March 2015. The unaudited condensed consolidated financial statements have been reviewed by the audit committee of the Company

The Group has adopted all of the new and revised standards, amendments and interpretations which are relevant to its operations and effective for the accounting periods beginning on or after 1 April 2015. The adoption of these new and revised standards, amendments and interpretation does not have significant impact on the accounting policies of the Group, and the amounts reported for the current period and prior periods.

The Group has not early adopted the new and revised standards that have been issued but are not yet effective. The Directors anticipate that the application of the new and revised standards will have no material impact on the results and financial position of the Group.



#### 4. REVENUE AND SEGMENT INFORMATION

The following is an analysis of the Group's revenue from its major products:

	Three months ended 30 September		Six months ended 30 September	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2014 HK\$'000 (audited)
General plywood	47,749	71,688	96,977	147,726
Packing plywood	7,251	8,132	15,879	15,356
Structural panel	546	878	1,073	1,449
Floor base	4,179	3,692	10,004	5,749
Round Logs	16,909	–	16,909	–
Others	467	70	1,684	681
	77,101	84,460	142,526	170,961

Information about the Group's revenue from external customers is presented based on the geographical location of delivery of goods as below:

	Three months ended 30 September		Six months ended 30 September	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2014 HK\$'000 (audited)
Japan	52,983	77,572	110,292	152,016
Thailand	21,729	2,749	25,050	9,521
South Korea	–	–	415	–
Hong Kong	1,654	2,826	3,906	5,652
Other countries	735	1,313	2,863	3,772
	77,101	84,460	142,526	170,961

**5. FINANCE COSTS**

	Three months ended 30 September		Six months ended 30 September	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2014 HK\$'000 (audited)
Interests on bank borrowings wholly repayable within five year	336	324	577	636
Interests on a finance lease	4	7	9	14
	340	331	586	650

**6. PROFIT BEFORE TAXATION**

	Three months ended 30 September		Six months ended 30 September	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2014 HK\$'000 (audited)
Profit before taxation has been arrived at after charging:				
Directors' remuneration	786	740	1,572	1,521
Other staff costs	4,646	5,562	10,127	10,711
Retirement benefit schemes contributions for other staff	405	389	824	813
	5,837	6,691	12,523	13,045
Release of prepaid lease payment	85	88	171	231
Cost of inventories recognised as expense	66,431	74,876	122,369	149,455
Depreciation of property, plant and equipment				
– owned assets	499	587	1,046	1,257
– leased assets	66	66	131	131
	565	653	1,177	1,388
Operating lease rentals in respect of rented premises	535	561	1,151	1,108



**7. TAXATION**

	Three months ended 30 September		Six months ended 30 September	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2014 HK\$'000 (audited)
Current tax				
Hong Kong Profits Tax	310	690	440	750
People's Republic of China (the "PRC") Enterprise Income Tax ("EIT")	501	818	1,078	1,616
	811	1,508	1,518	2,366
Deferred taxation				
Charge for the period	1	71	23	193
	812	1,579	1,541	2,559

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the periods.

Under the Law on EIT of the PRC, the statutory tax rate of the PRC subsidiaries is 25% during the periods.

**8. DIVIDENDS**

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2015.

**9. (LOSS) EARNINGS PER SHARE**

The calculation of the basic (loss) earnings per share for the period is based on the following data:

	Three months ended 30 September		Six months ended 30 September	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
(Loss) profit for the period attributable to owners of the Company used in the basic (loss) earnings per share calculation	(438)	2,298	95	4,792

  

	Three months ended 30 September		Six months ended 30 September	
	2015 (unaudited)	2014 (unaudited) (Note)	2015 (unaudited)	2014 (unaudited) (Note)
Weighted average number of ordinary share used in the basic (loss) earnings per share calculation	200,000,000	119,483,830	200,000,000	119,483,830

Note: The weighted average number of ordinary shares in issue during each of the three months and six months ended 30 September 2014 is calculated on the assumption that the Group Reorganisation has been effective on 1 April 2014, and has been adjusted to reflect the capitalisation issue of 148,744,600 ordinary shares of HK\$0.01 each on 23 February 2015.

There is no dilutive potential ordinary share for the three months and six months ended 30 September 2015 and 30 September 2014.



**10. TRADE AND OTHER RECEIVABLES**

	As at 30 September 2015 HK\$'000 (unaudited)	As at 31 March 2015 HK\$'000 (audited)
Trade receivables	21,131	9,280
Deposits to suppliers	2,960	3,404
Value-added tax receivables	726	810
Prepayments and other deposits	214	253
Total trade and other receivables	25,031	13,747

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

Most of the sales are settled by letters of credit. The following is an aged analysis of trade receivables presented based on the invoice date (which approximated the respective revenue recognition dates) at the end of each reporting period:

	As at 30 September 2015 HK\$'000 (unaudited)	As at 31 March 2015 HK\$'000 (audited)
Within 30 days	21,131	9,135
31 to 60 days	–	145
	21,131	9,280

**11. TRADE AND OTHER PAYABLES**

	As at 30 September 2015 HK\$'000 (unaudited)	As at 31 March 2015 HK\$'000 (audited)
Trade payables (Note)	31,679	14,253
Accrued staff costs	3,306	4,006
Accrued listing expenses	—	660
Accrued expenses	4,527	2,446
Deposits received from customers	1,883	1,481
<b>Total trade and other payables</b>	<b>41,395</b>	<b>22,846</b>

Note: As at 30 September 2015, included in the trade payables was an amount of HK\$302,000 (At 31 March 2015: HK\$302,000) payable to Prosperity Materials International Limited ("PMIL"), a related company which is controlled by a close family member of Huang's Family. The amount was aged over 1 year.

The credit period of trade payables is 30 to 180 days.

The following is an aged analysis of trade payables based on the invoice date at the end of each reporting period:

	As at 30 September 2015 HK\$'000 (unaudited)	As at 31 March 2015 HK\$'000 (audited)
Within 30 days	27,468	4,307
31 to 60 days	1,820	4,121
61 to 90 days	369	2,917
Over 90 days	2,022	2,908
	<b>31,679</b>	<b>14,253</b>





## 12. DERIVATIVE FINANCIAL INSTRUMENTS

	As at 30 September 2015 HK\$'000 (unaudited)	As at 31 March 2015 HK\$'000 (audited)
Derivatives not under hedge accounting		
Foreign currency forward contracts	625	–

The Group entered into a number of foreign exchange forward contracts with a commercial bank in the PRC. Such contracts were entered into as part of the Group's treasury operation for the purpose of managing and mitigating the foreign exchange risk exposure between US\$ and RMB.

Major terms of the foreign currency forward contracts are as follows:

As at 30 September 2015

Notional amount	Exercise period	Forward contract rate
17 contracts to sell US\$4,300,000 (gross settlement)	From 26/10/2015 to 23/9/2016	US\$1/RMB6.2540 to US\$1/RMB6.3478

The Group could exercise the foreign currency contracts within a specified period upon presenting these contracts to the bank.

The fair value of these contracts was determined based on the valuation performed by LCH (Asia-Pacific) Surveyors Limited, an independent valuer of the Group which is located at 17th Floor, Champion Building, 287-291 Des Voeux Road Central, Hong Kong.

The key inputs into the model at the respective dates were as follows:

	As at 30 September 2015 HK\$'000 (unaudited)	As at 31 March 2015 HK\$'000 (audited)
RMB risk-free interest rate	1.70% to 2.30%	N/A
US\$/RMB market forward rate	US\$1/RMB6.3747 to US\$1/RMB6.4580	N/A

**13. BANK BORROWINGS**

	As at 30 September 2015 HK\$'000 (unaudited)	As at 31 March 2015 HK\$'000 (audited)
Bank loans	30,790	26,832
Discounted export bills with recourse	4,011	6,848
	34,801	33,680
Secured	4,011	6,848
Unsecured	30,790	26,832
	34,801	33,680
Carrying amount of bank borrowings that are repayable within one year and contain a repayable on demand clause*	13,500	29,119
Carrying amount of bank borrowings that are not repayable within one year from the end of the reporting period but contain a repayable on demand clause (shown under current liabilities)		
– More than one year but not exceeding two years*	4,122	2,555
– More than two years but not exceeding five years*	17,179	2,006
	21,301	4,561
	34,801	33,680

\* The amounts due are based on scheduled repayment dates set out in the loan agreements.

**14. RELATED PARTY TRANSACTION**

The Group had entered into the following related party transaction:

Name of related company	Nature of transaction	Three months ended 30 September		Six months ended 30 September	
		2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2014 HK\$'000 (audited)
PMIL	Rental expenses	69	69	138	138



## MANAGEMENT DECISIONS AND ANALYSIS

### BUSINESS REVIEW

The Group is principally engaged in sourcing, manufacturing and sale of plywood products and trading of round logs. The Group's major plywood products can be categorised into (i) general plywood used in interior applications of buildings and manufacture of wooden furniture for home and office; (ii) packing plywood used as packaging material; (iii) structural panel used for construction; (iv) floor base used for flooring; and (v) other plywood products.

Since the competition in plywood market between countries is still very keen, and there has been a downward trend in the plywood imports in Japan since April 2015, during the six months ended 30 September 2015, our sales volume of plywood products reduced by about 27% from approximately 48,309 cubic meters for the six months ended 30 September 2014 to approximately 35,292 cubic meters in the current period. According to the International Tropical Timber Organisation, the first eight months to August this year Japan's plywood imports from all sources were reduced by 28% compared to the same period in 2014. Over the first eight months plywood imports from Malaysia have fallen 10%, by 22% for Indonesia and by 33% for China. In order to minimise the reliance on the plywood market, the Group started developing the trading of round logs in the second quarter, and may further develop this trading business in the coming future. The Group is also expanding the customer base to minimise the reliance on a single economy together with the sources of manufacturing to minimise the overall manufacturing cost.

On 16 June 2015, Jiangmen Urban and Rural Planning Bureau issued a confirmation permitting the extension of the use of the leased properties of the Group at No. 29 Gao Sha Middle Road, Jiangmen City, Guangdong Province, the People's Republic of China (the "PRC") (the "Leased Properties") from 31 May 2016 to 31 May 2018 on the condition that Jiangmen Changda Wood Products Co., Ltd.\* (江門市昌達木業有限公司) complies with the relevant laws and regulations regarding environmental protection, fire prevention and safety supervision. The Group can continue to use the Leased Properties under the relevant lease agreements until 31 May 2018.

\* For identification purpose only

## FINANCIAL REVIEW

### Revenue

During the six months ended 30 September 2015, our Group recorded a revenue of approximately HK\$142,526,000, representing a 16.6% decrease comparing to the same period in 2014. The decrease was mainly attributable to the decline in the sales volume arising from the downward trend of the demand from Japan. Our sales volume (including the sales of round logs) reduced by 13% from approximately 48,309 cubic meters for the six months ended 30 September 2014 to approximately 41,886 cubic meters in the current period.

### Gross profit

Our gross profit margin increased from approximately 12.6% for the six months ended 30 September 2014 to approximately 14.1% for the six month ended 30 September 2015. Such improvement was partly contributed by the higher profit margin on the trading of round logs business newly developed in current period. Increase in the portion of the floor base sales from approximately 3% of the total sales for the six months ended 30 September 2014 to approximately 7% of the total sales for the six months ended 30 September 2015 also contributed to the increase in the gross profit margin.

### Other (losses) gains

The amount was turnaround from the gain of approximately HK\$1.3 million for the six months ended 30 September 2014 to a loss of approximately HK\$1.2 million during the current period. The main reason is there were a fair value loss on the derivative financial instruments of approximately HK\$0.6 million and a net exchange loss of approximately HK\$0.8 million during the current period; while a fair value gain of approximately HK\$1.2 million and a net exchange gain of approximately HK\$0.2 million were recorded in the corresponding period of last year.

### Selling and distribution costs

The selling and distribution costs increased by approximately 38% to HK\$6.4 million for the six months ended 30 September 2015 comparing to the corresponding period of last year. The increase is mainly contributed by the high distribution cost of the trading of round logs per cubic meter of approximately 5 times the distribution cost of plywood per cubic meter.

### Profit for the period

The profit for the period decreased by approximately HK\$4.7 million from approximately HK\$4.8 million for the six months ended 30 September 2014 to approximately HK\$0.1 million for the current period. This decrease is mainly resulted from i) the decline in the gross profit by approximately HK\$1.3 million; ii) the turnaround loss on other (losses) gains of approximately HK\$2.5 million; iii) increase in selling and distribution costs of approximately HK\$1.8 million; and offset by iv) the decrease in the income tax expense of approximately HK\$1.0 million in the current period.



**LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

The working capital needs and other capital requirements have been met through a combination of shareholders' equity, cash generated from operations and bank borrowings. Going forward, we intend to finance the future operations and capital expenditures with cash flow from the Group's operating activities, banking facilities made available to us and the net proceeds from the placing of a total of 50,000,000 new shares in the Company on 23 February 2015 at the placing price of HK\$1.20 each (the "Placing").

The primary uses of cash have been and are expected to continue to be operating costs and capital expenditure. The current assets primarily comprise cash and bank balances, trade and other receivables and inventories. The current liabilities primarily comprise trade and other payables and bank borrowings.

As at 30 September 2015, the Group maintained cash and cash equivalents amounting to approximately HK\$79.7 million (as at 31 March 2015: approximately HK\$65.2 million). The net current assets slightly decreased from approximately HK\$61.2 million as at 31 March 2015 to approximately HK\$60.6 million as at 30 September 2015.

As at 30 September 2015, the Group's total bank borrowings, all being denominated in Hong Kong dollars, amounted to approximately HK\$34.8 million (as at 31 March 2015: approximately HK\$33.7 million). As at 30 September 2015, the capital structure of the Group consisted of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves. The Group's gearing ratio (calculated by dividing total debt by total equity as at the end of the period) as at 30 September 2015 was approximately 39.3% (as at 31 March 2015: approximately 37.6%).

**CHARGES ON THE GROUP'S ASSETS**

As at 30 September 2015, the Group's trade receivables of approximately HK\$4,011,000 (as at 31 March 2015: approximately HK\$6,848,000) were pledged to secure export bills discounted with full recourse.

**CONTINGENT LIABILITIES**

As at 30 September 2015, there were no significant contingent liabilities for the Group.

**CAPITAL COMMITMENT**

As at 30 September 2015, there were no significant capital commitments for the Group.

**COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS**

An analysis comparing the business objectives as set out in the prospectus of the Company dated 12 February 2015 ("Prospectus") with the Group's actual business progress for the period from 1 April 2015 to 30 September 2015 is set out below:

Business objectives	Actual progress
Construction of a new production plant to expand production capacity in the PRC	As at 30 September 2015, the planned amount has not been utilised and will be carried forward to the next six months ending 31 March 2016.
Expansion in clientele and sale network, as well as our products portfolio	The Group has been developing the trading of round logs business during the period.
Optimising the manufacturing capabilities in the PRC	The Group has maintained the existing production capacity to meet customers' demand, and is looking for any potential business in relation to the expanding our trading capacity, including any possible increase in the production capacity or increase in the source of trading.

**USE OF PROCEEDS FROM THE PLACING OF SHARES**

The Company was successfully listed on GEM on 23 February 2015 by way of the Placing and the net proceeds raised from the Placing were about HK\$50.1 million after deducting the listing-related expenses.

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

As at 30 September 2015, the Company has utilised the net proceeds of approximately HK\$0.1 million raised from the Placing in accordance with the intended use of proceeds set out in the Prospectus. As at the date of this report, the Directors do not anticipate any change to the plan as to the use of proceeds.



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

### **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 September 2015, the Group had a total of 253 employees. The Group remunerates its employees based on their performance, experience and the prevailing industry practice. Their remuneration packages are normally renewed on an annual basis, based on performance appraisals and other relevant factors. The Group may pay a discretionary bonus to its employees based on individual performance in recognition of their contribution and hard work. Staff benefit plans maintained by the Group include several mandatory provident fund schemes as well as travel, medical and life insurance.

The Company has conditionally approved and adopted a share option scheme on 9 February 2015 (the "Share Option Scheme") under which certain employees, consultants and advisers of the Group including the executive Directors may be granted options to subscribe for Company's shares. As of 30 September 2015, no options had been granted under the Share Option Scheme.

### **PROSPECT**

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. The Directors will monitor the schedule of construction in the new production plant. The Group has also located other potential leased properties, in case of the construction of the new production plant is delayed. During the period, Jiangmen Urban and Rural Planning Bureau issued a confirmation permitting the extension of the use of the Leased Properties and can continue to use the existing plant under the relevant lease agreements until 31 May 2018. The Group will commence its contingency plan prior to evacuating the existing Leased Properties if there is any delay in the construction of the new production plant.

Apart from expanding the customer base of the Group by looking for any potential market in other countries, the management is looking for any potential business in relation to the expanding our trading capacity, including any possible increase in the production capacity or increase in the source of trading. The Group started developing the trading of round logs in the current period, and the Group is going to further develop this trading business to diversify our business. 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.

**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 30 September 2015, the interests and short positions of the each of the Directors and the chief executive 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")), which were notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests or short positions which he or she was taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the required standards of dealings by Directors as referred to Rules 5.46 to 5.67 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange ("GEM Listing Rules"), to be notified to the Company and the Stock Exchange were as follows:

**Long positions in ordinary shares of the Company**

Name of Director	Number of ordinary share held, capacity and nature of interest			Percentage of the Company's issued share capital
	Directly beneficially owned	Through controlled corporation	Total	
Mr. Huang Dong Sheng <sup>1</sup>	–	114,154,853 <sup>4</sup>	114,154,853	57.08%
Ms. Wong Hang Kuen <sup>2</sup>	–	114,154,853 <sup>4</sup>	114,154,853	57.08%
Ms. Wong Sut Keng <sup>3</sup>	–	114,154,853 <sup>4</sup>	114,154,853	57.08%

Notes:

- (1) Mr. Huang Dong Sheng beneficially owns all the shares in MASTER GATE LIMITED ("Master Gate"), a company incorporated in the British Virgin Islands ("BVI"). Master Gate directly beneficially owned 45,661,941 shares in the Company.
- (2) Ms. Wong Hang Kuen beneficially owns all the shares in FOREVER ACES LIMITED ("Forever Aces"), a company incorporated in the BVI. Forever Aces directly beneficially owned 34,246,456 shares in the Company.
- (3) Ms. Wong Sut Keng beneficially owns all the shares in MAKING NEW LIMITED ("Making New"), a company incorporated in the BVI. Making New directly beneficially owned 34,246,456 shares in the Company.





- (4) Mr. Huang Dong Sheng, Ms. Wong Hang Kuen and Ms. Wong Sut Keng are siblings. Each of them is deemed to be interested in the ordinary shares of the Company held by Master Gate, Forever Aces and Making New respectively for the purpose of the SFO.

Save as disclosed above, as at 30 September 2015, none of the Directors or chief executive of the Company or their respective associates (within the meaning of GEM Listing Rules) 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 required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interest or short positions which he or she was taken or deemed to have under such provisions of the SFO), or which were recorded in the register kept by the Company under Section 352 of the SFO, or was required to notify to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

#### **SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES**

As at 30 September 2015, so far as is known to the Directors, the following persons (other than Directors or chief executive of the Company) had interests and short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

#### **Long positions in ordinary shares of the Company**

Name of Director	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Master Gate	Beneficial Owner	45,661,941	22.83%
Forever Aces	Beneficial Owner	34,246,456	17.12%
Making New	Beneficial Owner	34,246,456	17.12%

Save as disclosed above, as at 30 September 2015, none of the substantial or significant shareholders or other persons, other than the Directors and chief executive of the Company whose interests are set out in the section "DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION" above, had any interest or a short position in the shares or underlying shares of the Company would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or 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 nor the controlling shareholder 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 six months ended 30 September 2015, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

**DIRECTORS' SECURITIES TRANSACTIONS**

The Group had adopted Rules 5.46 to Rules 5.67 Rules of the GEM Listing Rules as its own code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings.

Having made specific enquiry with all the Directors and all the Directors had confirmed compliance with the required standard of dealings and the code of conduct for Directors' securities transactions during the six months ended 30 September 2015.

**INTEREST OF THE COMPLIANCE ADVISER**

As notified by the compliance adviser of the Company, New Spring Capital Limited, as at 30 September 2015, save for the compliance adviser agreement dated 9 February 2015 entered into between the Company and New Spring Capital Limited, neither New Spring Capital Limited, its directors, employees and associates had any interest in relation to the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

**COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

During the six months ended 30 September 2015, the Company has complied with all applicable code provisions of the Corporate Governance Code (the "Code") contained in Appendix 15 to the GEM Listing Rules.

**SHARE OPTION SCHEME**

The Company conditionally approved and adopted a share option scheme on 9 February 2015 ("the Scheme"). The terms of the Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

Since the adoption of the Scheme and up to 30 September 2015, no share options have been granted pursuant to the Scheme.



There is no option outstanding, granted, cancelled and lapsed during the six months ended 30 September 2015.

Please refer to the “POST BALANCE SHEET EVENT” regarding the share option granted after the reporting period.

#### **POST BALANCE SHEET EVENT**

On 2 October 2015, the Company granted 8,800,000 share options to a director and certain employees of the Company (the “Grantees”) pursuant to the Scheme. The share options give the Grantees the right to subscribe for ordinary shares of the Company at an exercise price of HK\$0.83 per ordinary share. Details of the share options granted are set out in an announcement of the Company dated 2 October 2015.

#### **AUDIT COMMITTEE**

The Company has established an audit committee with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. The primary duties of the audit committee are 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 report, the audit committee comprises three independent non-executive Directors, namely Mr. Yuen Kim Hung Michael (Chairman), Mr. Chan Kai Nang and Mr. Ho Chee Mun. The audit committee has reviewed the Group’s unaudited condensed consolidated financial statements for the six months ended 30 September 2015.

By Order of the Board  
Steed Oriental (Holdings) Company Limited  
Huang Dong Sheng  
*Chairman and Executive Director*

Hong Kong, 13 November 2015

*As at the date of this report, the Board of Directors of the Company comprises Mr. Huang Dong Sheng, Ms. Wong Sut Keng, Ms. Wong Hang Kuen and Mr. Yeung Hung Yuen as executive Directors; Mr. Chan Kai Nang, Mr. Ho Chee Mun and Mr. Yuen Kim Hung as independent non-executive Directors.*