



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

(incorporated in the Cayman Islands with limited liability)

Stock Code: 8277



Interim Report 2016



CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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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 (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 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 report 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 2016, together with comparative figures for the corresponding periods in 2015 as follows:

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and six months ended 30 September 2016

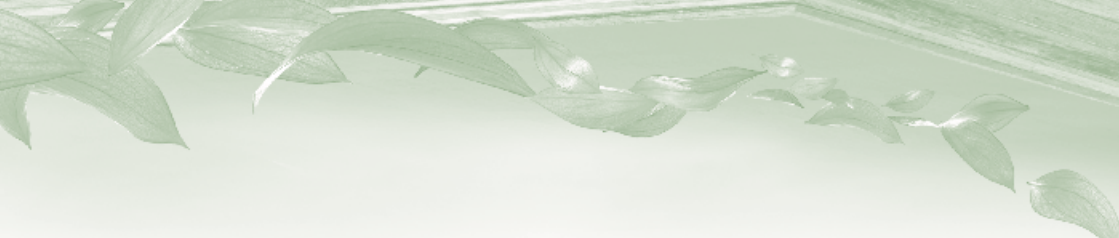
		Three months ended 30 September		Six months ended 30 September	
	NOTES	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Revenue	4	37,375	77,101	74,936	142,526
Cost of goods sold		(34,018)	(66,431)	(68,151)	(122,369)
Gross profit		3,357	10,670	6,785	20,157
Other income		2	160	4	162
Other losses		(10)	(721)	(840)	(1,214)
Selling and distribution costs		(1,087)	(4,622)	(1,996)	(6,413)
Administrative expenses		(6,023)	(4,773)	(10,981)	(10,470)
Finance costs	5	(318)	(340)	(672)	(586)
(Loss) profit before taxation	6	(4,079)	374	(7,700)	1,636
Taxation	7	531	(812)	566	(1,541)
(Loss) profit for the period attributable to owners of the Company		(3,548)	(438)	(7,134)	95

		Three months ended 30 September		Six months ended 30 September	
		2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
NOTES					
Other comprehensive expense					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translating foreign operations		(299)	(1,064)	(1,306)	(1,059)
Fair value loss on available-for-sale investments		(29)	(247)	(26)	(516)
Reclassification adjustment relating to available-for-sale investments disposal of during the period		1	–	1	(106)
Other comprehensive expense for the period		(327)	(1,311)	(1,331)	(1,681)
Total comprehensive expense for the period attributable to owners of the Company		(3,875)	(1,749)	(8,465)	(1,586)
(Loss) earnings per share – basic and diluted (HK cents)	9	(1.77)	(0.22)	(3.56)	0.05

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2016

	NOTES	As at 30 September 2016 HK\$'000 (unaudited)	As at 31 March 2016 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment		13,215	13,151
Prepaid lease payment		28,559	15,557
Available-for-sale investments		486	449
Rental deposits		151	156
Deposit paid for acquisition of property, plant and equipment		384	298
		42,795	29,611
Current assets			
Inventories		23,907	29,956
Prepaid lease payment		601	332
Available-for-sale investments		–	2,408
Trade and other receivables	10	11,398	8,968
Taxation recoverable		871	523
Bank balances and cash		44,254	70,735
		81,031	112,922
Current liabilities			
Trade and other payables	11	16,552	21,166
Derivative financial instruments	12	–	307
Taxation payable		713	587
Obligations under a finance lease			
– due within one year		88	263
Bank borrowings – due within one year	13	30,972	36,793
		48,325	59,116



	As at 30 September 2016 HK\$'000 (unaudited)	As at 31 March 2016 HK\$'000 (audited)
NOTES		
Net current assets	32,706	53,806
Total assets less current liabilities	75,501	83,417
Non-current liabilities		
Obligations under a finance lease		
– due after one year	–	–
Deferred taxation	475	506
	475	506
Net assets	75,026	82,911
Capital and reserves		
Capital	2,003	2,000
Reserves	73,023	80,911
Total equity	75,026	82,911

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2016

	Capital HK\$'000	Share premium HK\$'000	Share Option reserve HK\$'000	Other reserve HK\$'000	Attributable to owners of the Company Investment revaluation reserve HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 April 2016 (audited)	2,000	51,628	2,852	41,355	(162)	(2,022)	(12,740)	82,911
Loss for the period	-	-	-	-	-	-	(7,134)	(7,134)
Exchange differences on translation	-	-	-	-	6	(1,312)	-	(1,306)
Fair value loss on available-for-sale investments	-	-	-	-	(26)	-	-	(26)
Reclassification adjustments relating to available-for-sale investments disposal of during the period	-	-	-	-	1	-	-	1
Other comprehensive expense for the period	-	-	-	-	(19)	(1,312)	-	(1,331)
Total comprehensive expense for the period	-	-	-	-	(19)	(1,312)	(7,134)	(8,465)
Recognition of equity-settled share-based payments	-	-	304	-	-	-	-	304
Issue of shares by exercise of share options	3	273	-	-	-	-	-	276
Transfer on exercise of share options	-	188	(188)	-	-	-	-	-
Transfer on cancellation of share options under unconditional mandatory cash offers	-	2,968	(2,968)	-	-	-	-	-
At 30 September 2016 (unaudited)	2,003	55,057	-	41,355	(181)	(3,334)	(19,874)	75,026
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 2016

	Six months ended 30 September	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Net cash (used in) generated from operating activities	(6,500)	18,112
Net cash used in investing activities	(13,505)	(3,988)
Net cash (used in) generated from financing activities	(6,392)	365
Net (decrease) increase in cash and cash equivalents	(26,397)	14,489
Effect of foreign exchange rate changes	(84)	–
Cash and cash equivalents at beginning of the period	70,735	65,212
Cash and cash equivalents at end of the period, representing bank balances and cash	44,254	79,701



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2016

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.

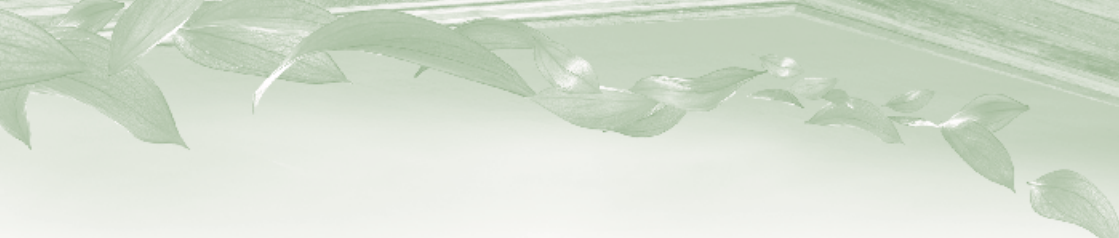
The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. Its principal place of business is located at 11th Floor, Prosperity Industrial Building, 89 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong. The Company is an investment holding 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 2015 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 2016. 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 2016. 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	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
General plywood	26,902	47,749	52,281	96,977
Packing plywood	6,470	7,251	13,126	15,879
Structural panel	298	546	1,007	1,073
Floor base	3,584	4,179	8,386	10,004
Round Logs	–	16,909	–	16,909
Others	121	467	136	1,684
	37,375	77,101	74,936	142,526

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	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Japan	33,790	52,983	67,025	110,292
Thailand	1,645	21,729	3,077	25,050
South Korea	–	–	–	415
Hong Kong	1,303	1,654	2,772	3,906
Other countries	637	735	2,062	2,863
	37,375	77,101	74,936	142,526

5. FINANCE COSTS

	Three months ended 30 September		Six months ended 30 September	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Interests on bank borrowings	317	336	669	577
Interests on a finance lease	1	4	3	9
	318	340	672	586

6. (LOSS)/PROFIT BEFORE TAXATION

	Three months ended 30 September		Six months ended 30 September	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
(Loss)/profit before taxation has been arrived at after charging:				
Directors' remuneration	532	786	1,453	1,572
Other staff costs	3,532	4,646	7,025	10,127
Retirement benefit schemes contributions for other staff	316	405	646	824
Share-based payments for other staff	77	–	241	–
	4,457	5,837	9,365	12,523
Release of prepaid lease payment	104	85	186	171
Cost of inventories recognised as expense	34,018	66,431	68,151	122,369
Depreciation of property, plant and equipment				
– owned assets	496	499	1,001	1,046
– leased assets	66	66	131	131
	562	565	1,132	1,177
Operating lease rentals in respect of rented premises	488	535	985	1,151

7. TAXATION

	Three months ended 30 September		Six months ended 30 September	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Current tax				
Hong Kong Profits Tax	6	310	12	440
People's Republic of China (the "PRC") Enterprise Income Tax ("EIT")	(547)	501	(547)	1,078
	(541)	811	(535)	1,518
Deferred taxation				
Charge (credit) for the period	10	1	(31)	23
	(531)	812	(566)	1,541

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 2016 (2015: Nil).

9. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share attributable to the owners of the Company for the period is based on the following data:

	Three months ended 30 September		Six months ended 30 September	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
(Loss) profit for the period attributable to owners of the Company used in the basic and diluted (loss) earnings per share calculation	(3,548)	(438)	(7,134)	95

	Three months ended 30 September		Six months ended 30 September	
	2016 (unaudited)	2015 (unaudited)	2016 (unaudited)	2015 (unaudited)
Weighted average number of ordinary shares used in the basic and diluted (loss) earnings per share calculation	200,333,333	200,000,000	200,193,078	200,000,000

The diluted loss per share for the three months and six months ended 30 September 2016 has not been taken into account the effect of outstanding share options as their exercise would result in a decrease in loss per share.

No diluted earnings per share was presented for the period ended 30 September 2015 as there were no potential dilutive ordinary shares.

10. TRADE AND OTHER RECEIVABLES

	As at 30 September 2016 HK\$'000 (unaudited)	As at 31 March 2016 HK\$'000 (audited)
Trade receivables	5,153	5,450
Deposits to suppliers	5,045	3,238
Value-added tax receivables	52	–
Prepayments and other deposits	1,148	280
Total trade and other receivables	11,398	8,968

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 2016 HK\$'000 (unaudited)	As at 31 March 2016 HK\$'000 (audited)
Within 30 days	5,153	5,450
31 to 60 days	–	–
	5,153	5,450

11. TRADE AND OTHER PAYABLES

	As at 30 September 2016 HK\$'000 (unaudited)	As at 31 March 2016 HK\$'000 (audited)
Trade payables (Note)	11,224	12,883
Accrued staff costs	2,813	3,377
Accrued expenses	2,284	3,239
Deposits received from customers	231	902
Value-added tax payables	–	765
Total trade and other payables	16,552	21,166

Note: As at 30 September 2016, included in the trade payables was an amount of HK\$302,000 (At 31 March 2016: 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 2016 HK\$'000 (unaudited)	As at 31 March 2016 HK\$'000 (audited)
Within 30 days	5,452	4,980
31 to 60 days	2,259	1,845
61 to 90 days	1,455	1,968
Over 90 days	2,058	4,090
	11,224	12,883

12. DERIVATIVE FINANCIAL INSTRUMENTS

	As at 30 September 2016 HK\$'000 (unaudited)	As at 31 March 2016 HK\$'000 (audited)
Derivatives not under hedge accounting		
Foreign currency forward contracts	—	307

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 31 March 2016

Notional amount	Exercise period	Forward contract rate
7 contracts to sell US\$1,800,000 (gross settlement)	From 1/4/2016 to 23/9/2016	US\$1/RMB6.31 to US\$1/RMB6.35

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 2016 HK\$'000 (unaudited)	As at 31 March 2016 HK\$'000 (audited)
RMB risk-free interest rate	N/A	1.94% to 2.03%
US\$/RMB market forward rate	N/A	US\$1/RMB6.46 to US\$1/RMB6.48

13. BANK BORROWINGS

	As at 30 September 2016 HK\$'000 (unaudited)	As at 31 March 2016 HK\$'000 (audited)
Bank loans	28,301	33,498
Discounted export bills with recourse	2,671	3,295
	30,972	36,793
Secured	2,671	3,295
Unsecured	28,301	33,498
	30,972	36,793
Carrying amount of bank borrowings that are repayable within one year and contain a repayable on demand clause*	30,972	16,787
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*	–	6,307
– More than two years but not exceeding five years*	–	13,699
	–	20,006
	30,972	36,793

* The amounts due are based on scheduled repayment dates set out in the loan agreements. As at 30 September 2016, certain terms and conditions of the current banking facilities ("Bank Facilities") are under negotiation with Bank of China (Hong Kong) Limited, thus the carrying amount of all the bank borrowings under the Banking Facilities as at 30 September 2016 are classified as repayable within one year.

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	
		2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
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.

Due to the continued keen competition in the plywood market among countries, as well as a downward trend in the plywood imports market in Japan since April 2015, our sales volume of plywood products decreased by about 35% from approximately 35,292 cubic meters for the six months ended 30 September 2015 to approximately 22,921 cubic meters for the six months ended 30 September 2016. The plywood demand from Japan has weakened significantly compared to the corresponding period in 2015. The Group was not able to fully shift the increased material costs to its customers. This resulted in the decrease in the gross profit margin by approximately 5% to approximately 9.1% for the six months ended 30 September 2016 (2015: approximately 14.1%).

To cope with the continued keen competition in the plywood market among countries, as well as a downward trend in the plywood imports market in Japan from China, the Group is seeking business opportunities in other potential markets like Taiwan to expand the customer base.

In order to expand its customer base together with the business growth, certain trading subsidiaries of the Group have obtained the forest stewardship council ("FSC") certification. The trading subsidiaries can now be involved in the chains of trade of FSC products which represents plywood manufactured up to FSC certification standards. As the FSC certification scheme is recognised as one of the highest worldwide standards for sustainable and responsible forest management, it is essential for businesses seeking to access environmentally and socially aware markets.

Moreover, the Group will enhance productivity via different means, such as reducing staff costs through natural turnover, strengthening service quality control and improving its support to customers. Apart from that, the Group will also endeavour to promote a culture of continuous improvement and automation of internal processes so as to improve efficiency and reduce costs. It is expected that the various income-generating and cost-saving measures will help in the mitigation of the impact of economic downturn on the performance of the Group.



FINANCIAL REVIEW

Revenue

During the six months ended 30 September 2016, the Group recorded a revenue of approximately HK\$74.9 million, representing an approximately 47.4% decrease comparing to the same period in 2015. The decrease was mainly attributable to a fall in orders received from the existing customers led by the weakened plywood demand from Japan.

Gross profit

The gross profit margin of the Group decreased from approximately 14.1% for the six months ended 30 September 2015 to approximately 9.1% for the six months ended 30 September 2016. The major reason for such decrease was the increase in material costs for the six months ended 30 September 2016 while the Group was not able to fully shift the increased costs to its customers due to the weakened plywood demand from Japan.

Selling and distribution costs

The selling and distribution costs decreased by approximately 68.8% from approximately HK\$6.4 million for the six months ended 30 September 2015 to approximately HK\$2 million for the six months ended 30 September 2016. The decrease was mainly contributed by the significantly decrease in the sales volume of plywood products and round logs.

(Loss) profit for the period

The Group recorded a loss of approximately HK\$7.1 million for the six months ended 30 September 2016 compared to a profit of approximately HK\$0.1 million for the six months ended 30 September 2015. The decrease was mainly due to i) the decrease in gross profit as the combined effect of the drop in sales volume and the increase in material costs as described above resulting the gross profit reduced by approximately HK\$13.4 million to approximately HK\$6.8 million for the six months ended 30 September 2016 (2015: approximately HK\$20.2 million); and ii) the increase in the administrative expenses by approximately HK\$0.5 million to approximately HK\$11 million for the six months ended 30 September 2016 (2015: approximately HK\$10.5 million). Such decrease in gross profit was offset by i) the decrease in the selling and distribution costs by approximately HK\$4.4 million to approximately HK\$2 million for the six months ended 30 September 2016 (2015: approximately HK\$6.4 million); and ii) the decrease in the tax charge by approximately HK\$2.1 million to approximately HK\$0.6 million net tax credit for the six months ended 30 September 2016 (2015: approximately HK\$1.5 million net tax charge).



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 net proceeds raised from the Placing were about HK\$50.1 million after deducting the listing-related expenses.

The primary uses of cash have been and are expected to continue to be operating costs and capital expenditure. As at 30 September 2016, 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 2016, the Group maintained cash and cash equivalents amounting to approximately HK\$44.3 million (as at 31 March 2016: approximately HK\$70.7 million). The net current assets decreased from approximately HK\$53.8 million as at 31 March 2016 to approximately HK\$32.8 million as at 30 September 2016.

As at 30 September 2016, the Group's total bank borrowings, all being denominated in Hong Kong dollars or United States dollars, amounted to approximately HK\$31 million (as at 31 March 2016: approximately HK\$36.8 million).

As at 30 September 2016, 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 2016 was approximately 41.4% (as at 31 March 2016: approximately 44.7%).

As at 30 September 2016, the Group had utilized approximately 9.6% of the net proceeds from the Placing or approximately HK\$4.8 million for working capital and other general corporate purpose. For the portion of net proceeds that the Company intended to apply in the construction of a new production plant in the PRC, the Group had utilised approximately HK\$14.8 million and the remaining amount of approximately HK\$13 million will continue to be used for the construction of new production plant and the remaining amount of approximately HK\$17.5 million will continue to be applied for the acquisition of machinery and equipment for the new production plant in the PRC.



CHARGES ON THE GROUP'S ASSETS

As at 30 September 2016, the Group's trade receivables of approximately HK\$2.7 million (as at 31 March 2016: approximately HK\$3.3 million) were pledged to secure export bills discounted with full recourse.

CONTINGENT LIABILITIES

As at 30 September 2016, there were no significant contingent liabilities for the Group.

CAPITAL COMMITMENT

As at 30 September 2016, the capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements was approximately HK\$35.9 million (as at 31 March 2016: approximately HK\$0.4 million).

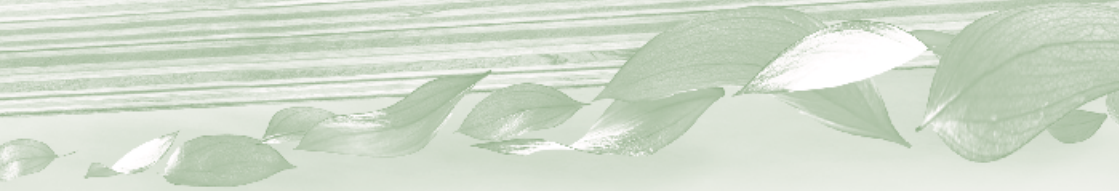
UNCONDITIONAL MANDATORY CASH OFFERS

References are made to the announcement of the Company dated 22 June 2016 and the composite document of the Company dated 22 July 2016 (the "Composite Document") jointly issued by the Company and Ms. Sun Xue Song and Mr. Xue Zhao Qiang (the "Joint Offerors"). Immediately after the completion of the sale and purchase agreement between, among others, Master Gate Limited, Forever Aces Limited and Making New Limited (as vendors) and the Joint Offerors (as purchasers) which took place on 22 June 2016, the Joint Offerors and parties acting in concert with either of or both of them held in aggregate 114,154,853 shares in the Company, representing approximately 56.98% of the then issued share capital of the Company. Accordingly, the Joint Offerors are required under the Code on Takeovers and Mergers to make the unconditional mandatory cash offers for all the issued shares (other than those already owned or agreed to be acquired by the Joint Offerors and parties acting in concert with either of or both of them) and to cancel all the outstanding share options of the Company (the "Offers").

The Offers closed at 4:00 p.m. on 12 August 2016. Immediately after the close of the Offers, the Joint Offerors and the parties acting in concert with either of or both of them were interested in aggregate of 153,802,120 shares, representing approximately 76.77% of the total number of shares in issue as at 12 August 2016. Details please refer to the announcement of the Company dated 12 August 2016.

PLACING OF NEW SHARES UNDER GENERAL MANDATE AND RESTORATION OF THE PUBLIC FLOAT

On 23 September 2016, the Company and Guotai Junan Securities (Hong Kong) Limited entered into a placing agreement in relation to a proposed placing of a maximum of 18,400,000 new shares of the Company at a price of HK\$1.13 per share (the "2016 Placing").



The above 18,400,000 shares were allotted and issued under the general mandate granted to the Directors by a resolution passed at the annual general meeting of the Company held on 25 July 2016. Under the general mandate, the Directors are allowed to allot and issue up to 40,066,666 shares of the Company. The net proceeds of approximately HK\$20.33 million from the 2016 Placing will be used as general working capital of the Group.

The 2016 Placing was completed on 4 October 2016. Upon the completion of the 2016 Placing, the public float of the Company has been restored and the minimum prescribed percentage of shares being held by public shareholders in accordance with Rule 11.23(7) of the GEM Listing Rules has been met.

Details please refer to the announcements of the Company dated 23 September 2016 and 4 October 2016.

CHANGE OF DIRECTORS

With effect from 12 August 2016:

- (1) Ms. Sun Xue Song and Mr. Xue Zhao Qiang have been appointed as executive Directors;
- (2) Mr. Ding Hongquan, Ms. Dong Ping and Mr. Zhu Da have been appointed as independent non-executive Directors;
- (3) Mr. Huang Dong Sheng has been re-designated from an executive Director to a non-executive Director;
- (4) Ms. Wong Sut Keng and Ms. Wong Hang Kuen have resigned as executive Directors; and
- (5) Mr. Chan Kai Nang, Mr. Ho Chee Mun and Mr. Yuen Kim Hung Michael have resigned as independent non-executive Directors.

With effect from 16 August 2016:

- (1) Mr. Yeung Hung Yuen has resigned as an executive Director.

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 2016 to 30 September 2016 is set out below:

Business objectives	Actual progress
Construction of a new production plant to expand production capacity in the PRC	The Group has legally obtained the land use rights of a parcel of land in the PRC and started the construction of the new production plant.
Expansion in clientele and sale network, as well as our products portfolio	The Group has made regular visits to major customers in order to maintain a close relationship with them.
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 of the Group's 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 2016, the Company has utilised the net proceeds of approximately HK\$19.6 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 2016, the Group had a total of 175 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. Details of the Share Option Scheme and the movements during the reporting period are set out under the section headed “Share Option Scheme” in this report.

FUTURE PROSPECTS

The proposed new production plant in Dong Mu Shan Industrial Park, the PRC 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. As of the date of this report, the floor plan design for the new production plant has been approved by the regulatory authority and the preliminary construction work is currently in progress. The management expects that the construction will be completed in around mid next year.

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 which are located at No. 29 Gao Sha Middle Road, Jiangmen City, Guangdong Province, 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 is allowed to use the Leased Properties under the relevant lease agreements until 31 May 2018.

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 can be involved in the chains of trade of the FSC products. The Group has currently started developing the trading of round logs, 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.

At the current stage, the Board will maintain the Group's existing principal activities, and will review the Group's business and operations and seek for new opportunities to enhance and strengthen the business of the Group, the Board may consider to make any changes that it deems necessary or appropriate to the Group's businesses and operations to increase the value of the Group.

OTHER INFORMATION

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

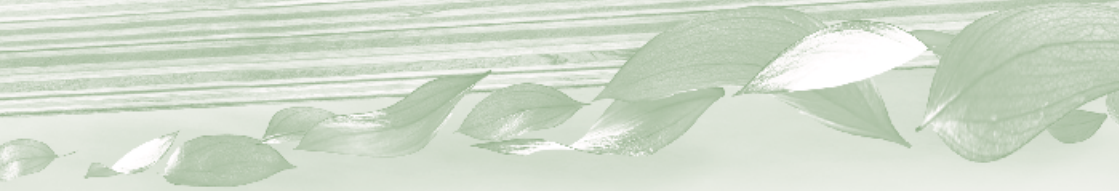
As at 30 September 2016, the interests and short positions of the each of the Directors and the chief executive of the Company in shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules, were as follows:

Long positions in ordinary shares of the Company

Name of Director	Number of ordinary shares held, capacity and nature of interest		Total	Approximate percentage of the Company's issued share capital (Note 1)
	Directly beneficially owned	Through controlled corporation		
Ms. Sun Xue Song	123,041,695	–	123,041,695	61.42%
Mr. Xue Zhao Qiang	30,760,425	–	30,760,425	15.35%

Note:

- (1) The percentage is calculated by dividing the number of shares interested or deemed to be interested by 200,333,333 issued shares as at 30 September 2016.



Save as disclosed above, as at 30 September 2016, 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 30 September 2016, so far as is known to the Directors, the following persons 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 were as follows:

Long positions in ordinary shares of the Company

Name	Capacity and nature of interest	Number of ordinary shares held	Approximate percentage of the Company's issued share capital (Note 1)
Ms. Sun Xue Song	Beneficial Owner	123,041,695	61.42%
Mr. Xue Zhao Qiang	Beneficial Owner	30,760,425	15.35%

Note:

- (1) The percentage is calculated by dividing the number of shares interested or deemed to be interested by 200,333,333 issued shares as at 30 September 2016.

Save as disclosed above, as at 30 September 2016, none of the substantial shareholders or other persons 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 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 six months ended 30 September 2016, 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 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, all the Directors have confirmed compliance with the required standard of dealings and the code of conduct for Directors' securities transactions during the six months ended 30 September 2016.

INTEREST OF THE COMPLIANCE ADVISER

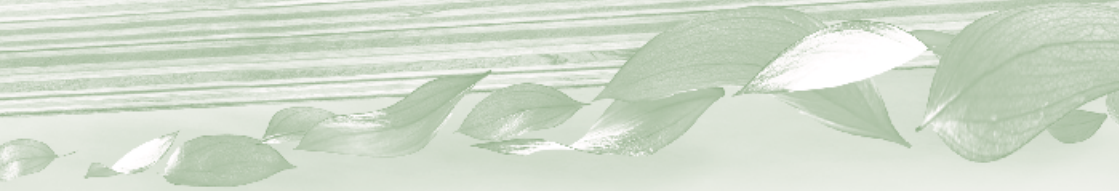
As notified by the compliance adviser of the Company, New Spring Capital Limited, as at 30 September 2016, save for the compliance adviser agreement dated 9 February 2015 entered into between the Company and New Spring Capital Limited, neither New Spring Capital Limited, its directors, employees and 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 2016, 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 (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, consultants, executives or officers of the Group, and any suppliers, customers, consultants, agents and advisers, who in the absolute discretion of our Board has contributed or will contribute to the Group) (the “Eligible Participants”) for their contribution or potential contribution to the Group.

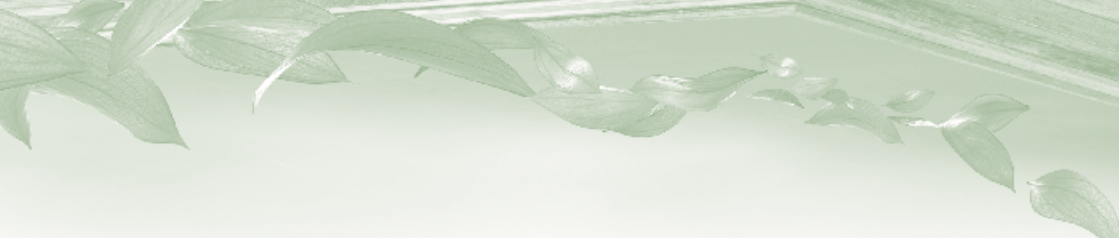
The total number of shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 10% of the shares of the Company in issue immediately upon completion of the Placing which is 20,000,000 shares. The number of shares issued and to be issued in respect of which 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 our shareholders in general meeting in the manner prescribed in the GEM Listing Rules, our 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.

The Share Option Scheme will be expired on 23 February 2025.

On 2 October 2015 and 19 November 2015 (the “Date of Grant”), the Company granted share options (the “Share Options”) to a director and employees within the Group (the “Grantees”) pursuant to the Share Option Scheme, subject to acceptance by the Grantees. As at 1 April 2016, the Share Options entitle the Grantees to subscribe for a total of 9,800,000 ordinary shares with nominal value of HK\$0.01 each (the “Shares”) in the capital of the Company upon exercise of the Share Options in full, of which the Share Options granted to the director and employees entitled them to subscribe for 2,000,000 Shares and 7,800,000 Shares respectively. The exercise prices of each of the Share Options granted of HK\$0.83 per Share and HK\$0.85 per Share represent the highest of (i) the closing price of the Share on the Date of Grant; (ii) the average closing price per Share for the five business days immediately preceding each of the Date of Grant; and (iii) the nominal value of HK\$0.01 per Share.



The Share Options have a validity period from the Date of Grant (i.e. 2 October 2015 or 19 November 2015 (as the case may be)) to 23 February 2025, one-third of which could be exercisable on or before 31 March 2016, two-third of which could be exercisable on or before 31 March 2017, and all of which could be exercisable after 31 March 2017 and up to 23 February 2025.

During the reporting period, a total of 333,333 Share Options were exercised at the exercise price of HK\$0.83 per Share and the closing price of the Shares on 16 June 2016 (i.e. the date immediately before the date of exercise of the 333,333 Share Options) was HK\$1.35. During the reporting period, a total 166,667 Share Option lapsed.

On 12 August 2016, a total of 9,300,000 Share Options were cancelled upon the close and settlement of the unconditional mandatory cash offer to cancel all the then outstanding Share Options (the "Option Offer"). After the close and settlement of the Option Offer and as of 30 September 2016, no Share Options were outstanding.

Details of the grants of the Share Options, the Option Offer and the result of the Option Offer, please refer to the announcements of the Company dated 2 October 2015, 19 November 2015, 22 June 2016 and 12 August 2016 as well as the Composite Document of the Company dated 22 July 2016.

During the six months ended 30 September 2016, no share options were granted pursuant to the Share Option Scheme.

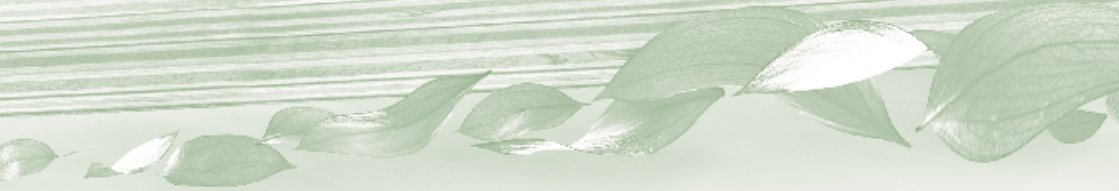
As at 30 September 2016, none of the Directors or employees held any share options of the Company under the Share Option Scheme.

EVENTS AFTER THE REPORTING PERIOD FOR CONSISTENCY

No significant events have taken place subsequent to 30 September 2016 and up to the date of this report.

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. Zhu Da (Chairman), Mr. Ding Hongquan and Ms. Dong Ping. The audit committee has reviewed the Group's unaudited condensed consolidated financial statements for the six months ended 30 September 2016.

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

Hong Kong, 7 November 2016

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