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

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

Annual Report 2017

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 (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.

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Ms. Sun Xue Song *(Chairman, appointed on 12 August 2016)*
Mr. Xue Zhao Qiang
(Chief Executive Officer, appointed on 12 August 2016)
Mr. Huang Dong Sheng
(re-designated as non-executive Director on 12 August 2016)
Ms. Wong Sut Keng *(resigned on 12 August 2016)*
Ms. Wong Hang Kuen *(resigned on 12 August 2016)*
Mr. Yeung Hung Yuen *(resigned on 16 August 2016)*

Non-executive Director

Mr. Huang Dong Sheng
(re-designated from executive Director on 12 August 2016)

Independent non-executive Directors

Mr. Ding Hongquan *(appointed on 12 August 2016)*
Ms. Dong Ping *(appointed on 12 August 2016)*
Mr. Zhu Da *(appointed on 12 August 2016)*
Mr. Chan Kai Nang *(resigned on 12 August 2016)*
Mr. Ho Chee Mun *(resigned on 12 August 2016)*
Mr. Yuen Kim Hung Michael *(resigned on 12 August 2016)*

AUDIT COMMITTEE MEMBERS

Mr. Zhu Da *(Chairman, appointed on 12 August 2016)*
Mr. Ding Hongquan *(appointed on 12 August 2016)*
Ms. Dong Ping *(appointed on 12 August 2016)*
Mr. Chan Kai Nang *(resigned on 12 August 2016)*
Mr. Ho Chee Mun *(resigned on 12 August 2016)*
Mr. Yuen Kim Hung Michael *(resigned on 12 August 2016)*

NOMINATION COMMITTEE MEMBERS

Mr. Ding Hongquan *(Chairman, appointed on 12 August 2016)*
Ms. Dong Ping *(appointed on 12 August 2016)*
Mr. Zhu Da *(appointed on 12 August 2016)*
Mr. Chan Kai Nang *(resigned on 12 August 2016)*
Mr. Ho Chee Mun *(resigned on 12 August 2016)*
Mr. Yuen Kim Hung Michael *(resigned on 12 August 2016)*

REMUNERATION COMMITTEE MEMBERS

Ms. Dong Ping *(Chairman, appointed on 12 August 2016)*
Mr. Ding Hongquan *(appointed on 12 August 2016)*
Mr. Zhu Da *(appointed on 12 August 2016)*
Mr. Chan Kai Nang *(resigned on 12 August 2016)*
Mr. Ho Chee Mun *(resigned on 12 August 2016)*
Mr. Yuen Kim Hung Michael *(resigned on 12 August 2016)*

COMPLIANCE OFFICER

Ms. Sun Xue Song *(appointed on 12 August 2016)*
Mr. Yeung Hung Yuen *(resigned on 12 August 2016)*

COMPANY SECRETARY

Mr. Chan Yuk Hiu Taylor *(appointed on 5 September 2016)*
Mr. Lai Kin Wa
(appointed on 20 June 2016 and resigned on 5 September 2016)
Mr. Yeung Wai Leung *(resigned on 20 June 2016)*

AUTHORISED REPRESENTATIVES

Ms. Sun Xue Song *(appointed on 12 August 2016)*
Mr. Chan Yuk Hiu Taylor *(appointed on 5 September 2016)*
Mr. Lai Kin Wa
(appointed on 12 August 2016 and resigned on 5 September 2016)
Mr. Yeung Hung Yuen *(resigned on 12 August 2016)*
Ms. Wong Sut Keng
(appointed on 20 June 2016 and resigned on 12 August 2016)
Mr. Yeung Wai Leung *(resigned on 20 June 2016)*

COMPLIANCE ADVISER

New Spring Capital Limited
Unit 2108,
China Merchants Tower,
Shun Tak Centre,
168-200 Connaught Road Central,
Hong Kong

AUDITOR

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Charter Road
Central, Hong Kong

REGISTERED OFFICE

Cricket Square,
Hutchins Drive,
P.O. Box 2681,
Grand Cayman KY1-1111,
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Suites 2524-25, 25/F., Sun Hung Kai Centre,
30 Harbour Road,
Wanchai,
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Conyers Trust Company (Cayman) Limited
Cricket Square,
Hutchins Drive,
P.O. Box 2681,
Grand Cayman KY1-1111,
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22,
Hopewell Centre,
183 Queen's Road East,
Hong Kong

LEGAL ADVISERS

P.C. Woo & Co.
Room 1225, 12/F., Prince's Building
10 Charter Road,
Central, Hong Kong

PRINCIPAL BANKER

Bank of China (Hong Kong) Limited

COMPANY'S WEBSITE

www.steedoriental.com.hk

STOCK CODE

8277

Chairman's Statement

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Director(s)") of Steed Oriental (Holdings) Company Limited (the "Company"), I am pleased to present the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2017.

PERFORMANCE

For the financial year ended 31 March 2017, the Group recorded a loss of approximately HK$15.4 million, compared to the loss of approximately HK$9.5 million for the year ended 31 March 2016. For the year ended 31 March 2017, the Group's revenue decreased by approximately 40% to approximately HK$145.3 million (2016: approximately HK$242.1 million). The gross profit decreased by approximately 47.3% to approximately HK$15.8 million for the year ended 31 March 2017 (2016: approximately HK$30.0 million). Selling expenses decreased by approximately 51.1% to approximately HK$4.3 million for the year ended 31 March 2017 (2016: approximately HK$8.8 million). Administrative and other expenses decreased by approximately 5.4% to approximately HK$24.3 million for the year ended 31 March 2017 (2016: approximately HK$25.7 million). The income tax decreased by HK$0.71 million to approximately HK$0.07 million net tax credit for the year ended 31 March 2017 (2016: approximately HK$0.64 million net tax charge).

The Board does not recommend payment of a final dividend for the year ended 31 March 2017.

FUTURE PROSPECTS

The proposed new production plant in Dong Mu Shan Industrial Park is expected to have a gross area of approximately 31,390 square meters and the new production base is expected to have an annual production capacity of approximately 99,456 cubic meters of plywood products. Up to the date of this report, the floor plan design was 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 end of 2017.

On 16 June 2015, Jiangmen Urban and Rural Planning Bureau*（江門市城鄉規劃局）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 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 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 Forest Stewardship Council ("FSC") certification (while the production plant of the Group has renewed the FSC certification in March 2016) by which they can be involved in the chains of trade of the FSC products. The Directors believe that the Group is in a more advantageous position to further develop and expand its market and products than the small-scale local enterprises.

At the current stage, the Board will maintain the Group's existing principal activities, and will review the Group's business and operations and seek 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.

WORDS OF THANKS

On behalf of the Company, I would like to express my gratitude to our shareholders and business partners for their support and to the management and staff for their unwavering dedication and contribution to the Group's development. I believe we can create a bright future with our concerted effort.

Sun Xue Song
Chairman and Executive Director

Hong Kong, 23 June 2017

* *For identification purpose only*

Management Discussion and Analysis

BUSINESS REVIEW

The Group is principally engaged in the sourcing, manufacturing and sale of plywood products as well as the 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 31% from approximately 64,700 cubic meters for the year ended 31 March 2016 to approximately 44,600 cubic meters for the year ended 31 March 2017. The plywood demand from Japan was weakened significantly compared to the previous year. The Group was not able to fully shift the increased unit costs of sales to its customers, resulting in the decrease in the gross profit margin of approximately 1.5 percentage points to approximately 10.9% for the year ended 31 March 2017 (2016: approximately 12.4%).

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 FSC certification. The trading subsidiaries can now be involved in the chains of trade of FSC products which represents plywood manufactured up to FSC certification standards. As the FSC certification scheme is recognised as one of the highest worldwide standards for sustainable and responsible forest management, it is essential for businesses seeking to access to environmentally and socially aware markets.

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

FINANCIAL REVIEW

Revenue

During the year ended 31 March 2017, the Group recorded the revenue of approximately HK$145.3 million, representing an approximately 40% decrease comparing to the previous year (2016: approximately HK$242.1 million). 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 12.4% for the year ended 31 March 2016 to approximately 10.9% for the year ended 31 March 2017. The major reason for such decrease was due to the increase in unit cost of sales in the year ended 31 March 2017 while the Group was not able to fully shift the increased costs to its customers due to the weakened plywood demand from Japan.

Selling expenses

The selling expenses decreased by approximately 51.1% from approximately HK$8.8 million for the year ended 31 March 2016 to approximately HK$4.3 million for the year ended 31 March 2017. The decrease was mainly contributed by the significant decrease in the sales volume of plywood products and round logs.

Loss for the year

The loss of the Group increased by approximately HK$5.9 million from approximately HK$9.5 million for the year ended 31 March 2016 to a loss of approximately HK$15.4 million for the year ended 31 March 2017.

The increase was mainly due to the decrease in gross profit as the combined effect of the drop in sales volume and increase in unit cost of sales as described above resulting the gross profit reduced by approximately HK$14.2 million to approximately HK$15.8 million for the year ended 31 March 2017 (2016: approximately HK$30.0 million). Such increase was offset by i) the decrease in the other losses by approximately HK$1.3 million to approximately HK$1.8 million in the year ended 31 March 2017 (2016: approximately HK$3.1 million); ii) the decrease in the selling expenses by approximately HK$4.5 million to approximately HK$4.3 million for the year ended 31 March 2017 (2016: approximately HK$8.8 million); iii) the decrease in the administrative and other expenses by approximately HK$1.4 million to approximately HK$24.3 million for the year ended 31 March 2017 (2016: approximately HK$25.7 million); and iv) the decrease in the finance costs by approximately HK$0.4 million to approximately HK$0.9 million for the year ended 31 March 2017 (2016: approximately HK$1.3 million).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group's working capital needs and other capital requirements have been met through a combination of shareholders' equity, cash generated from operations and bank borrowings. Going forward, the Group intends to finance future operations and capital expenditures with cash flow from the Group's operating activities, banking facilities made available to the Group and net proceeds from the placing of a total of 50,000,000 new shares of the Company on 23 February 2015 (the "Listing Date") at the placing price of HK$1.20 per share (the "Placing") and the placing of a total of 18,400,000 new shares of the Company which was completed on 4 October 2016 at the placing price of HK$1.13 per share.

The primary uses of cash have been, and are expected to continue to be, operating costs and capital expenditures. As at 31 March 2017, the current assets of the Group comprised primarily of cash at bank and on hand, trade and other receivables and inventories. The current liabilities comprised primarily of trade and other payables and bank and other borrowings.

As at 31 March 2017, the Group maintained cash and cash equivalents amounting to approximately HK$20.9 million (as at 31 March 2016: approximately HK$70.7 million). Net current assets decreased from approximately HK$53.8 million as at 31 March 2016 to approximately HK$42.0 million as at 31 March 2017.

As at 31 March 2017, the Group's total bank and other borrowings, all being denominated in Renminbi, Hong Kong dollars or United States dollars, amounted to approximately HK$2.3 million (as at 31 March 2016: approximately HK$36.8 million).

As at 31 March 2017, the capital structure of the Group consisted of cash and cash equivalents together with equity attributable to shareholders of the Company, comprised of issued share capital and reserves.

As at 31 March 2017, the Group's gearing ratio (calculated by dividing total interest-bearing debt by total equity as at the end of financial year) was approximately 2.6% (as at 31 March 2016: approximately 44.7%). The decrease in gearing ratio was a result of the full repayment of secured bank loans in Bank of China (Hong Kong) Limited.

CHARGES ON THE GROUP'S ASSETS

As at 31 March 2017, none of the Group's trade receivables (2016: approximately HK$3.3 million) was pledged to secure export bills discounted with full recourse.

CONTINGENT LIABILITIES

As at 31 March 2017, there were no significant contingent liabilities for the Group.

CAPITAL COMMITMENTS

As at 31 March 2017, the capital commitments in respect of buildings, and machinery and equipment contracted for but not provided for the consolidated financial statements were approximately HK$32.1 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 were 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. For 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 (the "Placing Manager") entered into a placing agreement pursuant to which the Company had appointed the Placing Manager as agent of the Company, and the Placing Manager had agreed to act as agent for the Company, to procure placees on a best efforts basis to subscribe or purchase for a maximum of 18,400,000 new shares of the Company at the placing price of HK$1.13 per share (the "2016 Placing"). The reason for the 2016 Placing was to raise capital for the Company while broadening the shareholder base and strengthening the capital base of the Company as well as to restore the public float of the Company, which became insufficient following the completion of the Offers.

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 were allowed to allot and issue up to 40,066,666 shares of the Company. The aggregate nominal value of the placing shares under the 2016 Placing was HK$184,000. The placing price of HK$1.13 under the 2016 Placing represents (1) a discount of approximately 18.12% to the closing price of HK$1.38 per share as quoted on the Stock Exchange on 23 September 2016, being the date of the placing agreement; and (2) a discount of approximately 16.05% to the average closing price of approximately HK$1.346 per Share as quoted on the Stock Exchange for the last five trading days immediately prior to 23 September 2016, being the date of the placing agreement.

The completion of the 2016 Placing took place on 4 October 2016. An aggregate of 18,400,000 new shares of the Company have been successfully allotted and issued to not less than six placees who and whose ultimate beneficial owner(s) (where applicable) were independent third parties. The net proceeds from the placing were approximately HK$20.33 million, which would be used as general working capital of the Group. On such basis, the net issue price per placing share was approximately HK$1.10.

Upon the completion of the 2016 Placing, the public float of the Company had 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.

Up to 31 March 2017, approximately HK$15.57 million of the net proceeds from the 2016 Placing had been used as general working capital of the Group, the remaining amount of approximately HK$4.76 million will continue to be used as general working capital of the Group.

For details, please refer to the announcements of the Company dated 23 September 2016 and 4 October 2016.

SIGNIFICANT INVESTMENT

During the year ended 31 March 2017, the Group did not have any significant investment (2016: HK$Nil).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

No material acquisitions or disposals of its subsidiaries or affiliated companies were made by the Group for the year ended 31 March 2017 (2016: HK$Nil).

COMPARISON OF BUSINESS OBJECTIVES AND ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as set out in the prospectus of the Company dated 12 February 2015 (the "Prospectus") with the Group's actual business progress for the period from 1 April 2016 to 31 March 2017 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 the GEM on the Listing Date by way of the Placing of a total of 50,000,000 new shares in the Company at the placing price of HK$1.20 per share of the Company 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 intended 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 31 March 2017, the Group had utilised approximately 9.6% of the net proceeds from the Placing or approximately HK$4.8 million for working capital and other general corporate purpose. The Group had also utilised approximately 55.5% of the net proceeds from the Placing or approximately HK$27.8 million for the construction of a new production plant in the PRC. For the portion of net proceeds that the Company intended to apply in the acquisition of machinery and equipment for the new production plant in the PRC, the Group had utilised approximately HK$2.7 million and the remaining amount of approximately HK$14.8 million will continue to be applied for the acquisition of machinery and equipment for the new production plant in the PRC.

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

FOREIGN EXCHANGE EXPOSURE

The trading of plywood products is conducted predominantly in United States dollars while the production costs are mainly denominated in Renminbi. The Group manages its foreign currency risk by closely monitoring the movements of foreign currency exchange rates. The Group does not currently designate any hedging relationship on the foreign exchange forward contracts for the purpose of the hedge accounting.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2017, the Group had a total of 190 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. The emoluments of the Directors are determined with reference to, among other things, the prevailing market conditions, the experience, roles and responsibilities of the Directors with the Company. Staff benefit plans maintained by the Group include several mandatory provident fund schemes as well as travel, medical and life insurance.

The Company 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 31 March 2017, none of the Directors or employees held any share options of the Company under the Share Option Scheme.

EVENT AFTER THE REPORTING PERIOD

No significant events have taken place subsequent to 31 March 2017 and up to the date of this report.

EXECUTIVE DIRECTORS

Sun Xue Song, aged 27, is the Chairman and was appointed as an executive Director on 12 August 2016. She completed a three year computerized accounting professional course offered by Hebei Radio and TV University*（河北廣播電視大學）in June 2011 and obtained her graduation certificate in regional economic development and management from Hebei Normal University of Science and Technology*（河北科技師範學院）in December 2014. Since January 2012 till present, she is the executive director and legal representative of Hebei Jieming Investments Limited Company*（河北傑明投資有限公司）, which carries out investment activities in projects which are not restricted or prohibited according to the laws of the People's Republic of China. Ms. Sun now holds the directorship in Access Well Limited, Lead Access International Holdings Limited, Global Sino Rich Limited and Hebei Jiapin Trading Limited which are wholly owned subsidiaries of the Company.

Xue Zhao Qiang, aged 43, is the chief executive officer and was appointed as an executive Director on 12 August 2016. He completed a three year architecture professional course offered by Hebei University of Engineering*（河北工程大學科信學院）in June 1995 and since January 2010, is the chairman of Hebei Handan City Hejin Real Estate Development Company Limited*（河北邯鄲市合金房地產開發有限公司）, which develops and operates real-estate properties. He is also one of the directors of Hebei Handan City Rural Credit Bank*（河北邯鄲市農村商業銀行）since December 2015. He previously had been selected as the deputy to the People's Congress of the People's Republic of China of Handan City in the 14th session.

NON-EXECUTIVE DIRECTOR

Huang Dong Sheng, aged 55, before his re-designation as a non-executive Director on 12 August 2016, was the chairman of the Company and was appointed as an executive Director on 7 August 2013. He completed Business Course I of the Department of Management in Tokyo School of Business in 1989 in Japan.

Mr. Huang has approximately 27 years of experience in the wood industry. Mr. Huang was appointed as the director of Million Champ Trading Limited and Jiangmen Changda Wood Products Company Limited*（江門市昌達木業有限公司）("Jiangmen Changda"), the Company's subsidiaries, on 26 July 2003 and 18 August 2003 respectively. Since then, Mr. Huang commenced to pursue his career in the plywood manufacturing industry. At present, Mr. Huang is a director of Sunchance International Industrial Limited, CD Enterprises Company Limited, Profit Chance Trading (Asia) Limited, Million Champ Holdings (HK) Limited, Million Champ Trading Limited, Jiangmen Changda and Star Resources Trading (HK) Limited (formerly known as Chance Rich Trading (Asia) Limited) within the Group. He is also a director and the legal representative of Jiangmen Chance East Wood Products Company Limited, the Company's subsidiary. Mr. Huang is the cousin of Mr. Li Wen Jun, the assistant to the general manager of the Jiangmen Changda.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ding Hongquan, aged 45, was appointed as an independent non-executive Director on 12 August 2016. He completed a professional course in Taxation at the Hebei Cadre Academy of Economic Management*（河北經濟管理幹部學院）in July 1991. In July 2000, he completed a two-year postgraduate course in the Communist Party of China Hebei Provincial Committee Party School*（中共河北省委黨校）.

From July 1991 to November 1994, he worked as a deputy commissioner（副局長）in Chuiyang Branch of the Nangong City Tax Bureau*（南宮市稅務局垂楊分局）and from November 1994 to September 1998, he worked as a deputy commissioner（副局長）in the Nangong City Local Taxation Bureau*（南宮市地稅局）. From January 2004 to March 2010 and March 2010 to November 2011, he served respectively as the deputy manager（副主任）and veteran office manager（老幹部辦公室主任）of Xingtai City People's Government State-owned Assets Supervision and Administration Commission*（邢臺市人民政府國有資產監督管理委員會）. From October 2011 to May 2016, he served as the chairman and general manager of Xintai Water Group Company Limited*（邢臺水業集團有限公司）. He currently is the chairman of Zhongjian Jiquan Water Supply Company Limited*（中建冀泉供水有限責任公司）since November 2012 and the chairman of Hebei Jinhao Water Supply Company Limited*（河北金灝水務股份有限公司）since December 2014. He is also the director (since October 2015) and the vice-chairman (since May 2017) of Heibei Offshore Listed Equity Investment Fund Company Limited*（河北境外上市股權投資基金有限公司）. He is also currently the chairman and general manager of Hebei Shunde Investment Group Limited Company*（河北順德 投資集團有限公司）since October 2015.

Mr. Ding is the chairman of the nomination committee of the Company and a member of the audit committee and remuneration committee of the Company.

* *For identification purpose only*

Dong Ping, aged 60, was appointed as an independent non-executive Director on 12 August 2016. She completed a three-year professional course in English language in December 1979 in Jiangxi Normal College (presently known as Jiangxi Normal University)(江西師範大學)("Jiangxi Normal University"). Ms. Dong obtained a certificate of study at the Beijing English Language Centre of the Institute of International Economic Management in cooperation with the University of California at Los Angeles China Exchange Program in April 1984. She had completed a course of instruction in Enterprise Management Development Programme in November 1992 which was provided by the British Government as part of its Technical Co-operation Training arrangements. She completed a postgraduate course at the University of Liaoning*(遼寧大學)in June 1999. In November 1997, she obtained a certificate of senior economist issued by the Department of Personnel of Guangdong Province*(廣東省人事廳). In June 2000, she obtained a master's degree in management from Dongbei Agricultural University*(東北農業大學). She also obtained a doctor of philosophy in economic studies at the Zhongnan University of Economics and Law*(中南財經政法大學)in June 2006.

Prior to joining the Company, she worked in the finance department of Jiangxi Province International Trust Investment Company Limited*(江西省國際信託投資公司)until 1990. She then worked in Shenzhen Development Bank(深圳發展銀行)since 1990 and was promoted to vice manager of the international business department in March 1994. In August 2000, she joined the Shenzhen branch of China Everbright Bank(中國光大銀行)as vice president. She retired in 2012 and she currently does not hold any positions in any companies.

Ms. Dong is the chairman of the remuneration committee of the Company and a member of the audit committee and nomination committee of the Company.

Zhu Da, aged 29, was appointed as an independent non-executive Director on 12 August 2016. He completed a business professional course at Portobello College, Dublin and Griffith College, Dublin and received a bachelor's degree of arts in accounting and finance from Higher Education and Training Awards Council, Ireland in July 2011. From July 2011 to March 2012, he was a project manager in the asset management department of Hebei Guofu Agricultural Investment Group Limited*(河北省國富農業投資集團有限公司). He joined KPMG Huazhen Beijing Office in April 2012 and was later seconded to work in KPMG Hong Kong Office as an assistant manager from November 2013 to March 2015. Mr. Zhu joined Huajin Investment Company Limited as a business manager and financial manager in March 2015. Since December 2016, he joined Hebei Zhonghongji Catering Management Company Limited*(河北中鴻記餐飲管理有限公司)as an assistant financial officer.

Mr. Zhu is the chairman of the audit committee of the Company and a member of the remuneration committee and nomination committee of the Company.

SENIOR MANAGEMENT

Li Wen Jun, aged 51, is the assistant to the general manager of Jiangmen Changda. Mr. Li Wen Jun is responsible for the overall management of the production department and production facilities in the PRC. He has over 10 years of experience in the wood products industry. Mr. Li Wen Jun joined our Group and was appointed as manager of the sales department in January 2007, and he was then appointed as the manager of the production department in August 2008. In June 2010, he was promoted and has since then been the assistant to the general manager of Jiangmen Changda. Mr. Li Wen Jun is the cousin of Mr. Huang Dong Sheng, the non-executive Director of the Company.

Liu Xiao Ling, aged 44, joined our Group in January 2007 and was appointed as the accounting manager of Jiangmen Changda. She has over 10 years of experience in accounting and finance.

Ms. Liu Xiao Ling graduated from the Guangdong Radio and TV University(廣東廣播電視大學)in the PRC with a part-time bachelor's degree in accounting and finance in March 1996. She obtained the Certificate of Accounting Professional (Intermediate Level) in the PRC(中國中級會計師資格)issued by Ministry of Personnel of the PRC in May 2002.

COMPANY SECRETARY

Chan Yuk Hiu Taylor, aged 39, is the financial controller and company secretary of the Company. Mr. Chan obtained an Honours Diploma in Accounting from Hong Kong Shue Yan College (currently known as Hong Kong Shue Yan University) and a Master Degree of Professional Accounting from the Hong Kong Polytechnic University. Mr. Chan was an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Prior to joining our Group, Mr. Chan has acquired various accounting, auditing and company secretarial work experience from both certified public accountants firms and listed companies. Mr. Chan has over 17 years of experience in accounting and auditing.

COMPLIANCE OFFICER

Sun Xue Song was appointed as an executive Director and the compliance officer of the Company on 12 August 2016. Her biographical details and professional qualifications are set out on page 11 of this report.

* *For identification purpose only*

CORPORATE GOVERNANCE PRACTICES

The Board strives to uphold the principles of corporate governance set out in the Corporate Governance Code (the "CG Code") contained in Appendix 15 of the GEM Listing Rules. The Board also adopts various measures to enhance the internal control system, the Directors' continuous professional development and other areas of corporate governance practice. While the Board strives to maintain a high level of corporate governance, it also works hard to create value and achieve maximum return for its shareholders. The Board will continue to conduct reviews and improve the quality of corporate governance practices with reference to local and international standards.

During the year ended 31 March 2017, the Company had complied with the code provisions as set out in the CG Code.

DIRECTOR'S SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "Model Code") as its own code governing securities transactions of the Directors. Specific enquiries have been made to all Directors and all Directors have confirmed that they have fully complied with the required standard of dealings as set out in the Model Code during the year ended 31 March 2017.

BOARD OF DIRECTORS

All the Directors (including the independent non-executive Directors) have acquired a proper understanding of the Company's operation and business and are fully aware of his/her functions and responsibilities under statute and common law, the GEM Listing Rules and other applicable legal and regulatory requirements. Every Director has given the Company the details on the number and nature of their offices held in other companies and significant commitments at the time of his/her appointment.

The Board is responsible for the leadership and control of the Group and to be collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs. The Board focuses on formulating the Group's overall strategies, authorising the development plan and budget, monitoring financial and operating performance, reviewing the effectiveness of the internal control system, supervising and managing management's performance of the Group, determining the policy for the corporate governance of the Company and performing duties under code provision D.3.1 of the CG Code and setting the Group's values and standards. Though the Board delegates the day-to-day management, administration and operation of the Group to management, all the Directors continue to give sufficient time and attention to the Company's affairs. The delegated functions are reviewed by the Board periodically to ensure that they accommodate the needs of the Group.

BOARD COMPOSITION

The Board currently comprises six Directors, of which two are executive Directors, one is a non-executive Director, and three are independent non-executive Directors. The composition of the Board is as follows:

Executive Directors
Ms. Sun Xue Song *(Chairman, appointed on 12 August 2016)*
Mr. Xue Zhao Qiang *(Chief Executive Officer, appointed on 12 August 2016)*

Non-executive Director
Mr. Huang Dong Sheng *(re-designated from executive Director on 12 August 2016)*

Independent non-executive Directors
Mr. Ding Hongquan *(appointed on 12 August 2016)*
Ms. Dong Ping *(appointed on 12 August 2016)*
Mr. Zhu Da *(appointed on 12 August 2016)*

The biographical details of each Director are set out in the section "Directors and Senior Management Profile" on pages 11 to 12 of this report.

The Board is scheduled to meet regularly at least four times a year at approximately quarterly intervals, to discuss the overall strategy as well as the operational and financial performance of the Company. Other Board meetings will be held when necessary. Such Board meetings involve the active participation, either in person or through other electronic means of communication, of a majority of Directors. During the year ended 31 March 2017, five Board meetings were held and the attendance records of individual Directors are set out below:

Name of Directors	**Number of Board meetings attended/ Directors Eligible to attended**
Executive Directors	
Ms. Sun Xue Song *(Chairman, appointed on 12 August 2016)*	3/3
Mr. Xue Zhao Qiang *(Chief Executive Officer, appointed on 12 August 2016)*	3/3
Mr. Huang Dong Sheng *(re-designated as non-executive Director on 12 August 2016)*	2/2
Ms. Wong Sut Keng *(resigned on 12 August 2016)*	2/2
Ms. Wong Hang Kuen *(resigned on 12 August 2016)*	2/2
Mr. Yeung Hung Yuen *(resigned on 16 August 2016)*	2/2
Non-executive Director	
Mr. Huang Dong Sheng *(re-designated from executive Director on 12 August 2016)*	3/3
Independent non-executive Directors	
Mr. Ding Hongquan *(appointed on 12 August 2016)*	3/3
Ms. Dong Ping *(appointed on 12 August 2016)*	3/3
Mr. Zhu Da *(appointed on 12 August 2016)*	3/3
Mr. Chan Kai Nang *(resigned on 12 August 2016)*	2/2
Mr. Ho Chee Mun *(resigned on 12 August 2016)*	2/2
Mr. Yuen Kim Hung Michael *(resigned on 12 August 2016)*	2/2

None of the Directors attended the above meetings by his/her alternate.

Appropriate notices are given to all Directors in advance for attending regular and other Board meetings. Meeting agendas and other relevant information are provided to the Directors in advance of Board meetings. All Directors are consulted to include additional matters in the agenda for Board meetings.

All Directors have access to the advice and services of the company secretary of the Company (the "Company Secretary") with a view to ensuring that Board procedures, and all applicable rules and regulations, are followed, and has the liberty to seek independent professional advice if required.

Both draft and final versions of the minutes are sent to all Directors for their comment and records. Minutes of Board meetings are kept by the Company Secretary and such minutes are open for inspection at any reasonable time on reasonable prior notice by any Director.

Each of the independent non-executive Directors had made a confirmation of independence by reference to Rule 5.09 of the GEM Listing Rules and the Board is satisfied that all the independent non-executive Directors were independent and met the independent guidelines set out in Rule 5.09 of the GEM Listing Rules since the date of their respective appointments, up to the date of this report.

APPOINTMENT, RE-ELECTION AND RETIREMENT OF THE DIRECTORS

In accordance with article 83 of the articles of association (the "Articles") of the Company, any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of the Company after his/her appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting ("AGM") of the Company and shall then be eligible for re-election. In accordance with article 84 of the Articles, at each AGM one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an AGM at least once every three years.

Pursuant to article 83 of the Articles, Ms. Sun Xue Song, Mr. Xue Zhao Qiang, Mr. Ding Hongquan, Ms. Dong Ping and Mr. Zhu Da, who were appointed by the Board with effect from 12 August 2016, will hold office only until the forthcoming AGM and shall be subject to re-election at the AGM.

Pursuant to article 84 of the Articles, Mr. Huang Dong Sheng, the non-executive Director, would retire from office by rotation and, being eligible, would offer himself for re-election as Director at the AGM.

CHAIRMAN AND CHIEF EXECUTIVE

According to the code provision A.2.1 of the CG Code, the roles of the chairman and the chief executive should be separate and should not be performed by the same individual. Currently, Ms. Sun Xue Song, the Chairman of the Company, is responsible for the overall strategic planning and corporate policies as well as overseeing the operations of the Group. The day-to-day operations of the Group are delegated to Mr. Xue Zhao Qiang, the Chief Executive Officer of the Company, and the management responsible for different aspects of the business. As such, the roles of the Chairman and the chief executive of the Company are separate and are not performed by the same individual.

BOARD DIVERSITY POLICY

Pursuant to the CG Code, the Board has adopted a board diversity policy (the "Board Diversity Policy") from the date of listing of the Company on the Stock Exchange up to the date of this corporate governance report. The Company recognises and embraces the benefits of diversity of Board members. While all Board appointments will continue to be made on a merit basis, the Company will ensure that the Board has the balance of skills, experience and diversity of perspectives appropriate to the needs of the Company's business. Selection of candidates will be based on a range of diversity perspectives, including but not limited to cultural and educational background, experience (professional or otherwise), skills and knowledge.

GENERAL MEETINGS

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. An annual general meeting of the Company shall be held each year and at a place that may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting. Under code provision A.6.7 of the CG Code, all independent non-executive Directors and non-executive Directors should attend general meetings of listed issuers.

The attendance record of the Directors at general meetings held on 25 July 2016 is set out below:

	Number of meetings attended/ Eligible to attended	
	Annual General Meeting	**Extraordinary General Meeting**
Executive Directors		
Ms. Sun Xue Song *(Chairman, appointed on 12 August 2016)*	0/0	0/0
Mr. Xue Zhao Qiang *(Chief Executive Officer, appointed on 12 August 2016)*	0/0	0/0
Mr. Huang Dong Sheng *(re-designated as non-executive Director on 12 August 2016)*	1/1	0/0
Ms. Wong Sut Keng *(resigned on 12 August 2016)*	1/1	0/0
Ms. Wong Hang Kuen *(resigned on 12 August 2016)*	1/1	0/0
Mr. Yeung Hung Yuen *(resigned on 16 August 2016)*	1/1	0/0
Non-executive Director		
Mr. Huang Dong Sheng *(re-designated from executive Director on 12 August 2016)*	0/0	0/0
Independent non-executive Directors		
Mr. Ding Hongquan *(appointed on 12 August 2016)*	0/0	0/0
Ms. Dong Ping *(appointed on 12 August 2016)*	0/0	0/0
Mr. Zhu Da *(appointed on 12 August 2016)*	0/0	0/0
Mr. Chan Kai Nang *(resigned on 12 August 2016)*	1/1	0/0
Mr. Ho Chee Mun *(resigned on 12 August 2016)*	1/1	0/0
Mr. Yuen Kim Hung Michael *(resigned on 12 August 2016)*	1/1	0/0

AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") on 9 February 2015 with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and the CG Code. The primary duties of the Audit Committee are (among other things) to review and supervise the financial control, internal control and risk management systems of the Group, and provide advice and comments on the Group's financial reporting matters to the Board.

The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Zhu Da, Mr. Ding Hongquan and Ms. Dong Ping. Mr. Zhu Da, who has appropriate professional qualifications and experience in accounting matters, has been appointed as the chairman of the Audit Committee.

During the year ended 31 March 2017, five Audit Committee meetings were held and the attendance record of each committee member is set out below:

Name of Directors	Attendance/ Number of the Audit Committee Meetings
Mr. Zhu Da *(Chairman, appointed on 12 August 2016)*	3/3
Mr. Ding Hongquan *(appointed on 12 August 2016)*	3/3
Ms. Dong Ping *(appointed on 12 August 2016)*	3/3
Mr. Chan Kai Nang *(resigned on 12 August 2016)*	2/2
Mr. Ho Chee Mun *(resigned on 12 August 2016)*	2/2
Mr. Yuen Kim Hung Michael *(resigned on 12 August 2016)*	2/2

The Audit Committee has reviewed the audited financial statements of the Group for the year ended 31 March 2017 and recommended to the Board for approval.

NOMINATION COMMITTEE

The Company established a nomination committee (the "Nomination Committee") on 9 February 2015 and has formulated its written terms of reference, which have from time to time been modified in accordance with the prevailing provisions of the CG Code. The Nomination Committee currently comprises three independent non-executive Directors, namely Mr. Zhu Da, Mr. Ding Hongquan and Ms. Dong Ping. Mr. Ding Hongquan has been appointed as the chairman of the Nomination Committee.

The principal responsibilities of the Nomination Committee are (among other things) to review the composition of the Board, including its structure, size and diversity at least annually to ensure that it has the balance of expertise, skills and experience appropriate for the requirements of the business of the Group. It is also responsible to identify and recommend the Board suitably qualified persons to become a member of the Board, monitor the appointment or re-appointment and the succession planning of Directors and assess the independence of independent non-executive Directors. The Nomination Committee will also give consideration to the Board Diversity Policy when identifying suitably qualified candidates to become members of the Board, and the Board will review the Board Diversity Policy, so as to develop and review measurable objectives for the implementing the Board Diversity Policy and to monitor the progress on achieving these objectives.

During the year ended 31 March 2017, one Nomination Committee meeting was held and the attendance record of each committee member is set out below:

Name of Directors	Attendance/ Number of the Nomination Committee Meetings
Mr. Ding Hongquan *(Chairman, appointed on 12 August 2016)*	0/0
Ms. Dong Ping *(appointed on 12 August 2016)*	0/0
Mr. Zhu Da *(appointed on 12 August 2016)*	0/0
Mr. Chan Kai Nang *(resigned on 12 August 2016)*	1/1
Mr. Ho Chee Mun *(resigned on 12 August 2016)*	1/1
Mr. Yuen Kim Hung Michael *(resigned on 12 August 2016)*	1/1

The Nomination Committee has, during its meeting, reviewed the composition of the Board and the suitability of the directors proposed for reappointment at the Company's annual general meeting.

REMUNERATION COMMITTEE

The Company established a remuneration committee (the "Remuneration Committee") on 9 February 2015 and has formulated its written terms of reference, which have from time to time been modified in accordance with the prevailing provisions of the CG Code. The Remuneration Committee currently comprises three independent non-executive Directors, namely Mr. Zhu Da, Mr. Ding Hongquan and Ms. Dong Ping. Ms. Dong Ping has been appointed as the chairman of the Remuneration Committee.

The primary duties of the Remuneration Committee are (among other things) to make recommendation to the Board the terms of remuneration packages, bonuses and other compensation (including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment) payable to the Directors and senior management and to make recommendations to the Board on the Group's policy and structure for all remuneration of the Directors and senior management.

During the year ended 31 March 2017, one Remuneration Committee meeting was held and the attendance record of each committee member is set out below:

Name of Directors	**Attendance/ Number of the Remuneration Committee Meetings**
Ms. Dong Ping *(Chairman, appointed on 12 August 2016)*	0/0
Mr. Ding Hongquan *(appointed on 12 August 2016)*	0/0
Mr. Zhu Da *(appointed on 12 August 2016)*	0/0
Mr. Chan Kai Nang *(resigned on 12 August 2016)*	1/1
Mr. Ho Chee Mun *(resigned on 12 August 2016)*	1/1
Mr. Yuen Kim Hung Michael *(resigned on 12 August 2016)*	1/1

The Remuneration Committee has reviewed the remuneration package of the directors and senior management. No individual Director is involved in deciding his or her own remuneration.

Particulars of the Directors' emoluments for the year ended 31 March 2017 are set out in note 8 to the financial statements.

Pursuant to code provision B.1.5 of the CG Code, the remuneration of the members of the senior management (other than the Directors but include Company Secretary) whose particulars are contained in the section headed "Directors and Senior Management Profile" in this annual report by band is set out below:

Remuneration band (in HK$)	**Number of individual**
HK$Nil to HK$1,000,000	3

DIRECTORS' TRAINING

Each newly appointed director has received comprehensive, formal and tailored induction on appointment so as to ensure that he/she has appropriate understanding of the business and operations of the Group and that he/she is fully aware of his/her responsibilities under the GEM Listing Rules and relevant regulatory requirements. Pursuant the Code Provision A.6.5 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. During the year, all Directors have participated in appropriate continuous professional development including reading regulatory updates in relation to the Group's business, attending internal briefing sessions, reading materials and watching videos relevant to the director's duties and responsibilities.

DIRECTORS AND OFFICERS LIABILITIES INSURANCE

The Company has arranged for appropriate insurance covering the liabilities of the Directors and officers in respect of legal actions against the Directors and officers of the Company and its subsidiaries arising out of corporate activities of the Group. The insurance coverage will be reviewed on an annual basis.

COMPANY SECRETARY

Mr. Chan Yuk Hiu Taylor was appointed as the Company Secretary on 5 September 2016. He is an employee of the Company and has day-to-day knowledge of the Company's affairs. He is responsible for ensuring a good information flow within the Board and the compliance of the Board policy and procedures.

Mr. Chan complies with the relevant professional training requirements under Rule 5.15 of the GEM Listing Rules during the year ended 31 March 2017. His biographical details are set out in the paragraph headed "Directors and Senior Management Profile" on page 12 in this report.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors ensure the consolidated financial statements of the Group are prepared in accordance with the applicable statutory requirement and accounting standards. The Directors' responsibilities in the preparation of the consolidated financial statements are set out in the section headed "Independent Auditor's Report" of this report.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board recognises its responsibility to ensure that the Company maintains a sound and effective internal control and risk management systems and the Board has conducted a review of the effectiveness of the internal control and risk management systems of the Group during the year. The Group's internal control and risk management systems are designed to safeguard assets against misappropriation and unauthorised disposition and to manage operational risks.

Three-tier Risk Management Approach

The Group has adopted a three-tier risk management approach to identify, assess, mitigate and handle risks. At the first line of defence, business units are responsible for identifying, assessing and monitoring risks associated with each business or deal. The management, as the second line of defence, defines rule sets and models, provides technical support, develops new systems and oversees portfolio management. It ensures that risks are within the acceptable range and that the first line of defence is effective. As the final line of defence, the audit committee of the Company ensures that the first and second lines of defence are effective through constant inspection and monitoring.

Internal Control

The Board acknowledged that the management had progressively implementing an adequate internal control system to ensure the effective functioning of the Group's operational, financial and compliance areas as follows:

1. ***Operational***

   Various principles and procedures are in place to cover the day-to-day operational activities including, but not limited to, the monitoring and reviewing of sales, purchases, production and inventory process, reviewing the financing and investing process, monitoring the compliance with taxation, customs and environmental protection laws and regulations.

2. ***Financial***

   Effective financial control is a vital element of internal control. It helps in identifying and managing assets and liabilities to ensure that the Group is not unnecessarily exposed to avoidable financial risks. It also contributes to the safeguarding of assets from inappropriate use or loss, including the prevention and detection of fraud and errors.

   In order to achieve effective financial control, a set of measures have been implemented to tighten the control on cash flow. All payments are required to be properly checked and approved. Proper accounting and financial records shall be maintained to support financial budgets, monthly management accounts and reports.

   Regular reviews and audits are carried out on the financial report procedures to ensure that the preparation of financial statements is carried out in accordance with generally accepted accounting principles, the Group's accounting policies and applicable laws and regulations.

3. Compliance

The following policies and procedures are in place to safeguard the compliance control:

- the policies and practices on compliance with legal and regulatory requirements – which shall be reviewed and monitored regularly by the by the Board;
- the Systems and Procedures on Disclosure of Inside Information – to ensure that any material information which comes to the knowledge of any one or more officers should be promptly identified, assessed and escalated for the attention of the Board.
- Whistle-blowing policy – to deter wrongdoing and to promote standards of good corporate practices, the Company has adopted a whistle blowing policy which aims at encouraging and enabling employees of the Group at all levels and others to report violations or suspected violations and to raise serious concerns about possible improprieties in matters of financial reporting or other matters of the Group. Such arrangement will be reviewed by the Audit Committee which ensures that proper arrangement is in place for fair and independent investigation of the matters.

The Board and the Audit Committee have reviewed the Group's internal controls covering major operational, financial and compliance controls, as well as risk management functions of different systems on a systematic basis based on the risk assessments of the operations and controls. There were no critical issues found but areas for improvement have been identified. The Board and the Audit Committee considered that the key areas of the Group's internal control systems are reasonably implemented.

ROLE OF COMPLIANCE OFFICER

The compliance officer is responsible for establishing a formal mechanism for risk assessment, management monitoring the effectiveness of the Company's internal control system and procedures, and assessing the remediation status.

EXTERNAL AUDITOR'S REMUNERATION

During the year ended 31 March 2017, the Company engaged KPMG as the external auditor. The fees in respect of annual audit services provided by KPMG for the year ended 31 March 2017 approximately amounted to HK$800,000. The responsibilities of KPMG for the audit of the consolidated financial statements are set out in the section headed "Independent Auditor's Report" of this report.

SHAREHOLDERS' RIGHTS

Right to convene extraordinary general meeting

Pursuant to the Articles of Association of the Company, any shareholder(s) holding at the date of the deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall have the right to submit a written requisition requiring an extraordinary general meeting (the "EGM") to be called by the Board. The written requisition (i) must state the purposes of the EGM, and (ii) must be signed by the requisitionists and deposited at the registered office of the Company for attention of the Company Secretary, and may consist of several documents in like form, each signed by one or more requisitionists. Such requisitions will be verified with the Company's share registrars and upon their confirmation that the requisition is proper and in order, the Company Secretary will ask the Board to convene an EGM by serving sufficient notice to all shareholders. On the contrary, if the requisition has been verified as not in order, the requisitionists will be advised of this outcome and accordingly, the EGM will not be convened as requested.

If the Board does not within 21 days from the date of the deposit of the requisition proceed duly to convene an EGM, the requisitionists or any of them representing more than one-half of the total voting rights of all of them may convene a EGM, but any EGM so convened shall not be held after expiration of two months from the said date of deposit of the requisition. An EGM convened by the requisitionists shall be convened in the same manner, as nearly as possible, as that in any EGM to be convened by the Board.

Right to put forward proposals at general meeting

To put forward proposals at a general meeting of the Company, a shareholder should lodge a written notice of his or her proposal ("the Proposal") with his or her detailed contact information at the Company's principal place of business in Hong Kong.

The request will be verified with the Company's branch share registrars in Hong Kong and upon their confirmation that the request is proper and in order, the Board will be asked to include the Proposal in the agenda for the general meeting.

Right to enquire to the Board

Shareholders may send their enquiries and concerns, in written form, to the Board by addressing them to the Company Secretary at Suites 2524-25, 25/F., Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong. Shareholders may also make enquiries to the Board at the general meetings of the Company. In addition, shareholders can contact Tricor Investor Services Limited, the branch share registrar of the Company in Hong Kong, if they have any enquiries about their shareholdings and entitlements to dividend.

CONSTITUTIONAL DOCUMENTS

During the year ended 31 March 2017, there had been no significant change in the Company's constitutional documents. The Articles of Association of the Company are available on the websites of the Stock Exchange and the Company.

INVESTOR RELATIONS

The Company believes that maintaining effective communication with the investment industry is crucial to having a deeper understanding of the Company's business and its development among investors. To achieve this goal and increase transparency, the Company will continue to adopt proactive measures to foster better investor relations and communications. As such, the purpose for the Company in formulating investor relations policies is to let investors have access to the information of the Group in a fair and timely manner, so that they can make an informed decision.

We welcome investors to write to the Company or send their inquiries to the Company's website www.steedoriental.com.hk to share their opinions with the Board. The Company's website also discloses the latest business information of the Group to investors and the public.

ACCOUNTABILITY AND AUDIT FINANCIAL REPORTING

The management provides such explanation and information to the Board and reports to the Board on the financial position and prospects of the business of the Company so as to enable the Board to make an informed assessment of the financial and other information put before the Board for approval.

The Directors acknowledge their responsibilities (as set out in the Independent Auditor's Report) for preparing the consolidated financial statements of the Group that give a true and fair view of the state of affairs of the Group. As of the date of this report, the Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern and the Board has prepared the consolidated financial statements on a going concern basis. The responsibility of the external auditor is to form an independent opinion, based on their audit, on the consolidated financial statements prepared by the Board and to report to the shareholders of the Company. The responsibilities of the auditor are set out in the section headed "Independent Auditor's Report" of this report.

The Board of Directors of the Company is pleased to present their report and the audited consolidated financial statements of the Group for the year ended 31 March 2017.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 14 to the financial statements in this report. The business of the Group is principally engaged in the sourcing, manufacturing and sale of plywood products and the trading of round logs.

RESULTS AND APPROPRIATIONS

The Group's loss for the year ended 31 March 2017 is set out in the consolidated statement of profit or loss and other comprehensive income on page 31 and the state of affairs of the Group as at 31 March 2017 are set out in the consolidated statement of financial position on page 32 of this report. The Directors do not recommend the payment of a final dividend for the year ended 31 March 2017.

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the past five years ended 31 March 2017 is set out on page 80 of this report. This summary does not form part of the audited consolidated financial statements.

CONTINGENT LIABILITIES, LEGAL AND POTENTIAL PROCEEDINGS

As at 31 March 2017, the Group did not have any material contingent liabilities, legal proceedings or potential proceedings.

GOING CONCERN

Based on the current financial position and financing facilities available, the Group has sufficient financial resources for ongoing operation in the foreseeable future. As such, the consolidated financial statements were prepared on a "going concern" basis.

PROPERTY, PLANT, AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year ended 31 March 2017 are set out in note 12 to the financial statements in this report.

BANK AND OTHER BORROWINGS

Details of the bank and other borrowings of the Group as at 31 March 2017 are set out in note 19 to the financial statements in this report.

SHARE CAPITAL

Details of movements in the Company's share capital during the year ended 31 March 2017 are set out in note 22(c) to the financial statements in this report.

USE OF PROCEEDS FROM THE PLACING OF SHARES

Details of the intended uses and utilised amount of the Placing and the 2016 Placing are set out on pages 8 to 9 of this report.

RESERVES

Details of change in reserves of the Group and the Company are set out in the section headed "Consolidated Statement of Changes in Equity" on page 33 and note 22(a) to the financial statements in this report, respectively.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 March 2017, calculated under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to approximately HK$82.4 million (2016: approximately HK$65.5 million).

CHARITABLE CONTRIBUTIONS

During the year ended 31 March 2017, the Group did not make any charitable contributions.

BUSINESS REVIEW

Details of review of the Group's business and particulars of important events affecting the Group that have occurred since the end of the financial year as well as indication of likely future development in the business of the Group are set out in the section headed "Chairman's Statement" on page 4 and "Management Discussion and Analysis" on pages 5 to 10 of this report.

Risks and uncertainties

The principal risks and uncertainties facing the Group have been addressed in the section headed "Management Discussion and Analysis" in this report. In addition, various financial risks have been disclosed in note 23 to the financial statements.

An analysis using financial key performance indicators

The relevant financial key performance indicators relating to the business of the Group are set out in the section headed "Management Discussion and Analysis" and the consolidated financial statements in this report.

Environmental policies and performance

The Group recognises its responsibility to protect the environment from its business activities. The Group continually seeks to identify and manage environmental impacts attributable to its operational activities in order to minimise these impacts if possible. The Group aims to promote efficient use of resources and adopting green technologies for emission reduction. For instance, the Group seeks to replace the equipment by the environmental friendly machines in order to minimise overall exhaust emission.

Relationships with employees, customers, suppliers and other stakeholders

The Group ensures all staff is reasonably remunerated and regularly reviews the employment policies on remuneration and other benefits. The Group maintains a good relationship with its customers and suppliers. The Group maintains close contacts with the customers and has regular review of requirements of customers and complaints. The Group will conduct review on the suppliers' performance on regular basis.

Compliance with laws and regulations

The Group recognises the importance of compliance with regulatory requirements and risks of non-compliance with such requirements. The Group has on-going review the new enacted laws and regulations affecting the operations of the Group. The Group is not aware of any material non-compliance with the laws and regulations that have significant impact on the business of the Group.

EVENT AFTER THE REPORTING PERIOD

No significant events have taken place subsequent to 31 March 2017 and up to the date of this report.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the latest practicable date prior to the issue of this report.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 March 2017, sales to the Group's five largest customers accounted for approximately 85.8% of total sales and sales to the largest customer included therein amounted to approximately 43.7% of total sales. The Group's five largest suppliers accounted for approximately 64.0% of total purchases during the year ended 31 March 2017 and purchases from the largest supplier included therein amounted to approximately 22.3% of total purchases.

None of the Directors or any of their close associates (as defined in the GEM Listing Rules), or any of the shareholders of the Company (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or its five largest suppliers during the year ended 31 March 2017.

DIRECTORS

The Directors during the year ended 31 March 2017 and up to the date of this report were:

Executive Directors
Ms. Sun Xue Song *(Chairman, appointed on 12 August 2016)*
Mr. Xue Zhao Qiang *(Chief Executive Officer, appointed on 12 August 2016)*
Mr. Huang Dong Sheng *(re-designated as non-executive Director on 12 August 2016)*
Ms. Wong Sut Keng *(resigned on 12 August 2016)*
Ms. Wong Hang Kuen *(resigned on 12 August 2016)*
Mr. Yeung Hung Yuen *(resigned on 16 August 2016)*

Non-executive Director
Mr. Huang Dong Sheng *(re-designated from executive Director on 12 August 2016)*

Independent non-executive Directors
Mr. Ding Hongquan *(appointed on 12 August 2016)*
Ms. Dong Ping *(appointed on 12 August 2016)*
Mr. Zhu Da *(appointed on 12 August 2016)*
Mr. Chan Kai Nang *(resigned on 12 August 2016)*
Mr. Ho Chee Mun *(resigned on 12 August 2016)*
Mr. Yuen Kim Hung Michael *(resigned on 12 August 2016)*

As disclosed in the announcement of the Company dated 12 August 2016, the reason for the resignation of the above resigning Directors was due to the change of control of the Company.

One-third of the Directors shall retire from office by rotation and re-election at an annual general meeting of the Company in accordance with the Articles, providing that every Director shall be retired at least once every three years. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of the Company after his/her appointment in accordance with the Company's Articles.

Pursuant to article 83 of the Articles, Ms. Sun Xue Song, Mr. Xue Zhao Qiang, Mr. Ding Hongquan, Ms. Dong Ping and Mr. Zhu Da, who were appointed by the Board with effect from 12 August 2016, will hold office only until the forthcoming AGM and shall be subject to re-election at the AGM.

Pursuant to article 84 of the Articles, Mr. Huang Dong Sheng, the non-executive Director, would retire from office by rotation and, being eligible, would offer himself for re-election as Director at the AGM.

DIRECTORS' SERVICE CONTRACTS

No Directors have service contracts with the Company with remaining unexpired period of 3 years which are not determinable within one year without payment of compensation (other than statutory compensation).

Each of the existing independent non-executive Directors has entered into a letter of appointment with the Company for a term of 3 years commencing from 12 August 2016 subject to termination by either party giving to the other not less than 3 months' prior written notice. Each of them is subject to retirement by rotation and re-election in accordance with the Articles.

The existing non-executive Director, Mr. Huang Dong Sheng, has entered into a letter of appointment with the Company for an original term commencing from 12 August 2016 and expiring on 30 April 2017, which has been further extended to 31 December 2017, subject to termination by either party giving to the other not less than 3 months' prior written notice. Mr. Huang is subject to rotation and re-election in accordance with the Articles.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

Biographical details of the Directors and the senior management of the Group are set out on pages 11 to 12 of this report.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

No contract, transaction or arrangement of significance in relation to the Company's business, to which the Company or any of its subsidiaries was a party and in which any of the Directors or an entity connected with him/her or the controlling shareholders of the Company had a material interest, either directly or indirectly, subsisted during the year ended 31 March 2017 (2016: Nil).

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 year ended 31 March 2017.

RELATED PARTY TRANSACTIONS

Details of the Group's related party transactions are set out in note 25 to the financial statements in this report. Such transactions are either connected transactions or continuing connected transactions that are exempt from annual reporting requirements under Chapter 20 of the GEM Listing Rules. Saved as disclosed above, there were no other transactions which are required to be disclosed as connected transactions or continuing connected transactions in accordance with the requirements of the GEM Listing Rules. The Board confirms that the Company has complied with the applicable disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors a confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules and considers all the independent non-executive Directors were independent during the period from their respective appointments and up to the date of this report.

MANAGEMENT CONTRACTS

No contracts, other than employment contracts, concerning the management and administration of the whole and any part of the Company's business were entered into or existed during the year ended 31 March 2017.

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

As at 31 March 2017, the interests and short positions of the each of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules, were as follows:

Long positions in ordinary shares of the Company

	Number of ordinary share held, capacity and nature of interest			
Name of Director	**Directly and beneficially owned**	**Through controlled corporations**	**Total**	**Approximate percentage of the Company's issued share capital** *(Note)*
Ms. Sun Xue Song	123,041,695	–	123,041,695	56.25%
Mr. Xue Zhao Qiang	30,760,425	–	30,760,425	14.06%

Note: The percentage is calculated by dividing the number of shares interested or deemed to be interested by 218,733,333 issued shares as at 31 March 2017.

Save as disclosed above, as at 31 March 2017, 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 OF THE COMPANY

As at 31 March 2017, so far as is known to the Directors, no person (other than the Directors or chief executive of the Company) had interests or 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.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 March 2017, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

COMPLIANCE WITHTHE CODE ON CORPORATE GOVERNANCE PRACTICES

A full corporate governance report is set out on pages 13 to 20 of this report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles or the laws of the Cayman Island, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing Shareholders unless otherwise required by the Stock Exchange.

INTEREST OF THE COMPLIANCE ADVISER

As notified by the compliance adviser of the Company, New Spring Capital Limited, as at 31 March 2017, 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 close 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.

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.

Pursuant to the Share Option Scheme, the Directors may, at their absolute discretion, grant options to the Eligible Participants to subscribe for shares in the Company at a price determined by the directors and not less than the highest of:

(i) the closing price of the shares of the Company as stated in the daily quotation sheets issued by the Stock Exchange on the date of grant of the options;

(ii) the average closing price of the shares of the Company as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant of the options; and

(iii) the nominal value of the shares of the Company on the date of grant.

The total number of shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 10% of the shares of the Company in issue immediately upon completion of the Placing which is 20,000,000 shares, representing approximately 9.14% of the issued shares of the Company as at the date of this report. 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.

Options granted must be taken up within 14 days of that date of grant, upon payment of HK$1 in aggregate as consideration for the options granted.

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

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 entitled 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 relevant 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.

As at 1 April 2016, the number of outstanding options of the Company granted under the Share Option Scheme was 9,800,000.

During the year, 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 year, a total 166,667 Share Option forfeited.

The unconditional mandatory cash offer to cancel all the then outstanding Share Options (the "Option Offer") closed on 12 August 2016. A total of 9,300,000 Share Options were cancelled upon the settlement of the Option Offer. After the close and settlement of the Option Offer and as of 31 March 2017, 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 year ended 31 March 2017, no share options were granted pursuant to the Share Option Scheme.

As at 31 March 2017, none of the Directors or employees held any share options of the Company under the Share Option Scheme.

The details of the Share Options are also set out in note 20 to the financial statements in this report.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the year was the Company, its subsidiaries, its fellow subsidiaries or its holding companies, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

AUDITORS

The consolidated financial statements for the year ended 31 March 2016 were audited by Deloitte Touche Tohmatsu ("Deloitte").

On 28 December 2016, KPMG had been appointed as auditor of the Company to fill the casual vacancy following the resignation of Deloitte.

The consolidated financial statements for the year ended 31 March 2017 were audited by KPMG who will retire and, being eligible, offer themselves for re-appointment.

A resolution for the re-appointment of KPMG as the auditor of the Company is to be proposed at the forthcoming AGM. Save for the above, there has been no other change in the auditors of the Company in any of the preceding three years.

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

Hong Kong, 23 June 2017

KPMG

Independent auditor's report to the shareholders of
Steed Oriental (Holdings) Company Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Steed Oriental (Holdings) Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 31 to 79, which comprise the consolidated statement of financial position as at 31 March 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2017 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

ASSESSING IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

Refer to note 12(a) to the consolidated financial statements and the accounting policies in note 2(i).

The Key Audit Matter	How the matter was addressed in our audit
As at 31 March 2017, the carrying amount of the Group's property, plant and equipment ("PP&E"), which principally comprised plant and machinery used in the manufacture of plywood products, totalled HK$19,202,000 before the consideration of any potential impairment. The Group sustained a loss for the year ended 31 March 2017. In view of the loss, management considered that indicators of potential impairment of PP&E existed at the reporting date and performed impairment assessments by assessing the recoverable amounts of each identifiable group of assets that generate independent cash flows ("cash-generating unit") using the value-in-use method based on discounted cash flow forecasts for each cash-generating unit ("CGU"). Preparing discounted cash flow forecasts requires management to exercise significant judgement, particularly in relation to forecasting future revenue and estimating future costs, the growth rates and the discount rates applied in assessing the recoverable amount of each CGU. We identified assessing impairment of PP&E as a key audit matter because the impairment assessments prepared by management contain certain judgemental and subjective assumptions which may be subject to error or potential management bias.	Our audit procedures to assess impairment of PP&E included the following: • assessing management's identification of CGUs and the allocation of PP&E and other assets to each CGU and assessing the methodology adopted by management in its preparation of the discounted cash flow forecasts with reference to our understanding of the Group's business and the requirements of the prevailing accounting standards; • evaluating management's discounted cash flow forecasts for each CGU by comparing the assumptions adopted by management with the historical performance of the Group, recent trends and externally available economic data; • engaging our internal valuation specialists to assist us in assessing whether the discount rates applied in the discounted cash flow forecasts were within the ranges adopted by other companies in the same industry; • performing sensitivity analyses of the discount rates applied and the assumptions for revenue adopted by management in the discounted cash flow forecasts to assess what changes thereto, either individually or collectively, would result in a different conclusion being reached and assessing whether there were any indicators of management bias in the selection of key assumptions; and • assessing the disclosures in the consolidated financial statements in respect of the assessment of impairment of PP&E with reference to the requirements of the prevailing accounting standards.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Wan Chi Yau, Charles.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

23 June 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 March 2017
(Expressed in Hong Kong dollars ("HK$"))

	Note	2017 HK$'000	2016 HK$'000
Revenue	4	**145,293**	242,073
Cost of sales		**(129,451)**	(212,068)
Gross profit		**15,842**	30,005
Other losses	5	**(1,782)**	(3,098)
Selling expenses		**(4,279)**	(8,781)
Administrative and other expenses		**(24,341)**	(25,659)
Loss from operations		**(14,560)**	(7,533)
Finance costs	6(a)	**(903)**	(1,277)
Loss before taxation	6	**(15,463)**	(8,810)
Income tax	7(a)	**66**	(640)
Loss for the year attributable to equity shareholders of the Company		**(15,397)**	(9,450)
Other comprehensive income for the year (after tax and reclassification adjustments)	10		
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(2,725)**	(1,465)
Available-for-sale securities: net movement in the fair value reserve		**162**	(268)
Other comprehensive income for the year		**(2,563)**	(1,733)
Total comprehensive income for the year attributable to equity shareholders of the Company		**(17,960)**	(11,183)
Loss per share			
Basic and diluted (HK cents)	11	**(7.36)**	(4.73)

The notes on pages 35 to 79 form part of these financial statements.

Consolidated Statement of Financial Position

at 31 March 2017
(Expressed in HK$)

	Note	2017 HK$'000	2016 HK$'000
Non-current assets			
Property, plant and equipment	12	**16,252**	13,151
Lease prepayments	13	**27,824**	15,557
Available-for-sale investments		**–**	449
Other non-current assets		**1,065**	454
		45,141	29,611
Current assets			
Trading securities		**351**	–
Inventories	15	**25,008**	29,956
Lease prepayments	13	**591**	332
Available-for-sale investments		**–**	2,408
Trade and other receivables	16	**19,898**	8,968
Income tax recoverable	21(a)	**751**	523
Cash at bank and on hand	17	**20,897**	70,735
		67,496	112,922
Current liabilities			
Trade and other payables	18	**22,271**	21,166
Derivative financial instruments		**–**	307
Bank and other borrowings	19	**2,256**	36,793
Obligations under a finance lease		**–**	263
Income tax payable	21(a)	**959**	587
		25,486	59,116
Net current assets		**42,010**	53,806
Total assets less current liabilities		**87,151**	83,417
Non-current liabilities			
Deferred tax liabilities	21(b)	**566**	506
NET ASSETS		**86,585**	82,911
CAPITAL AND RESERVES	22		
Share capital		**2,187**	2,000
Reserves		**84,398**	80,911
TOTAL EQUITY		**86,585**	82,911

Approved and authorised for issue by the board of directors on 23 June 2017.

Sun Xue Song
Chairman and Executive Director

Xue Zhao Qiang
Executive Director

The notes on pages 35 to 79 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 March 2017
(Expressed in HK$)

	Attributable to equity shareholders of the Company							
	Share capital HK$'000 (note 22(c))	Share premium HK$'000 (note 22(d)(i))	Share option reserve HK$'000 (note 22(d)(ii))	Other reserve HK$'000 (note 22(d)(iii))	Fair value reserve HK$'000 (note 22(d)(iv))	Exchange reserve HK$'000 (note 22(d)(v))	Accumulated losses HK$'000	Total equity HK$'000
Balance at 1 April 2015	2,000	51,628	–	41,355	106	(557)	(3,290)	91,242
Changes in equity for the year ended 31 March 2016:								
Loss for the year	–	–	–	–	–	–	(9,450)	(9,450)
Other comprehensive income	–	–	–	–	(268)	(1,465)	–	(1,733)
Total comprehensive income	–	–	–	–	(268)	(1,465)	(9,450)	(11,183)
Equity settled share-based payments (note 20)	–	–	2,852	–	–	–	–	2,852
Balance at 31 March 2016	2,000	51,628	2,852	41,355	(162)	(2,022)	(12,740)	82,911

	Attributable to equity shareholders of the Company							
	Share capital HK$'000 (note 22(c))	Share premium HK$'000 (note 22(d)(i))	Share option reserve HK$'000 (note 22(d)(ii))	Other reserve HK$'000 (note 22(d)(iii))	Fair value reserve HK$'000 (note 22(d)(iv))	Exchange reserve HK$'000 (note 22(d)(v))	Accumulated losses HK$'000	Total equity HK$'000
Balance at 1 April 2016	2,000	51,628	2,852	41,355	(162)	(2,022)	(12,740)	82,911
Changes in equity for the year ended 31 March 2017:								
Loss for the year	–	–	–	–	–	–	(15,397)	(15,397)
Other comprehensive income	–	–	–	–	162	(2,725)	–	(2,563)
Total comprehensive income	–	–	–	–	162	(2,725)	(15,397)	(17,960)
Issuance of shares (note 22(c)(ii))	184	20,402	–	–	–	–	–	20,586
Shares issued under share option scheme (note 22(c)(iii))	3	373	(100)	–	–	–	–	276
Equity settled share-based payments (note 20)	–	–	772	–	–	–	–	772
Cancellation of share options (note 20(b))	–	–	(3,524)	–	–	–	3,524	–
	187	20,775	(2,852)	–	–	–	3,524	21,634
Balance at 31 March 2017	2,187	72,403	–	41,355	–	(4,747)	(24,613)	86,585

The notes on pages 35 to 79 form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 March 2017
(Expressed in HK$)

	Note	2017 HK$'000	2016 HK$'000
Operating activities			
Loss before taxation		**(15,463)**	(8,810)
Adjustments for:			
Depreciation	6(c)	**2,318**	2,321
Amortisation	6(c)	**475**	336
Impairment losses on property, plant and equipment	6(c)	**2,950**	–
Finance costs	6(a)	**903**	1,277
Interest income	5	**(51)**	(11)
Net loss on disposal of available-for-sale equity securities	5	**248**	30
Net loss arising from forward foreign exchange contracts	5	**61**	307
Equity settled share-based payments		**772**	2,852
Net loss on disposal of property, plant and equipment	5	**58**	179
Changes in working capital:			
Decrease in inventories		**4,948**	9,006
(Increase)/decrease in trade and other receivables		**(12,287)**	4,647
Decrease in trade and other payables		**(1,463)**	(190)
Cash (used in)/generated from operations		**(16,531)**	11,944
Income tax refunded/(paid)	21(a)	**270**	(2,361)
Net cash (used in)/generated from operating activities		**(16,261)**	9,583
Investing activities			
Payments for purchase of property, plant and equipment		**(7,052)**	(3,047)
Payments for lease prepayments		**(13,997)**	–
Payments for purchase of available-for-sale investments and trading securities		**(3,469)**	(10,115)
Proceeds from disposal of available-for-sale investments and trading securities		**5,889**	7,722
Payments for purchase of forward foreign exchange contracts		**(13,497)**	–
Proceeds from settlement of forward foreign exchange contracts		**13,129**	–
Repayment from shareholders		**–**	10
Interest received		**51**	11
Net cash used in investing activities		**(18,946)**	(5,419)
Financing activities			
Proceeds from new bank and other borrowings		**2,256**	32,231
Repayment of bank and other borrowings		**(36,793)**	(29,118)
Proceeds from the issuance of shares, net of transaction costs	22(c)(ii)	**20,586**	–
Proceeds from the issuance of shares under share option scheme	22(c)(iii)	**276**	–
Capital element of finance lease rentals paid		**(263)**	(342)
Finance costs paid		**(903)**	(1,277)
Net cash (used in)/generated from financing activities		**(14,841)**	1,494
Net (decrease)/increase in cash and cash equivalents		**(50,048)**	5,658
Cash and cash equivalents at 1 April	17	**70,735**	65,212
Effect of foreign exchange rate changes		**210**	(135)
Cash and cash equivalents at 31 March	17	**20,897**	70,735

The notes on pages 35 to 79 form part of these financial statements.

1 CORPORATE INFORMATION

Steed Oriental (Holdings) Company Limited (the "Company") was incorporated in the Cayman Islands on 7 August 2013 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company's shares were listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 23 February 2015. The Company and its subsidiaries (collectively referred to as the "Group") principally engages in the sourcing, manufacturing and sale of plywood products as well as the trading of round logs.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the "Listing Rules"). Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 March 2017 comprise the Company and its subsidiaries.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that financial instruments classified as trading securities and available-for-sale investments (see note 2(e)) and derivative financial instruments (see note 2(f)) are stated at their fair values.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

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

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(e)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(i)), unless the investment is classified as held for sale.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Other investments in debt and equity securities

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and joint ventures, are as follows:

Investments in debt and equity securities are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any dividends or interest earned on these investments as these are recognised in accordance with the policies set out in notes 2(r)(ii) and 2(r)(iii).

Dated debt securities that the Group and/or the company have the positive ability and intention to hold to maturity are classified as held-to-maturity securities. Held-to-maturity securities are stated at amortised cost less impairment losses (see note 2(i)).

Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve. As an exception to this, investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the statement of financial position at cost less impairment losses (see note 2(i)). Dividend income from equity securities and interest income from debt securities calculated using the effective interest method are recognised in profit or loss in accordance with the policies set out in notes 2(r)(ii) and 2(r)(iii), respectively. Foreign exchange gains and losses resulting from changes in the amortised cost of debt securities are also recognised in profit or loss.

When the investments are derecognised or impaired (see note 2(i)), the cumulative gain or loss recognised in equity is reclassified to profit or loss. Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

(f) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedge the net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(i)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 2(t)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual values, if any, using the straight line method over their estimated useful lives as follows:

	Estimated useful lives
Plant and machinery	5-15 years
Leasehold improvements	2-5 years
Furniture, fixtures and equipment	3-10 years
Motor vehicles	5-15 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually. No depreciation is provided in respect of construction in progress until it is completed and ready for its intended use.

(h) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Leased assets (continued)

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are recognised as property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 2(g). Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(i). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(iii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term.

(i) Impairment of assets

(i) Impairment of investments in debt and equity securities and other receivables

Investments in debt and equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Impairment of assets (continued)

(i) Impairment of investments in debt and equity securities and other receivables (continued)

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

– For available-for-sale securities, the cumulative loss that has been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade and other receivables whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade and other receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Impairment of assets (continued)

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;

– pre-paid interests in leasehold land classified as being held under an operating lease; and

– investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

– *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– *Reversals of impairment losses*

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Impairment of assets (continued)

(iii) Interim financial reporting and impairment

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 2(i)(i) and 2(i)(ii)).

Impairment losses recognised in an interim period in respect of available-for-sale equity securities are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of the annual period, or in any other period subsequently, the increase is recognised in other comprehensive income and not profit or loss.

(j) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(k) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 2(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts (see note 2(i)).

(l) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(m) Trade and other payables

Trade and other payables are initially recognised at fair value and are subsequently stated at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

(o) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a share option reserve within equity. The fair value is measured at grant date using the Binomial Option Pricing Model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share option reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the share option reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the share option reserve until either the option is exercised (when it is included in the amount recognised in share capital for the shares issued) or the option expires (when it is released directly to retained profits).

(iii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(p) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to business combinations, items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Income tax (continued)

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(r) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

Revenue is recognised when goods are delivered and titles have passed which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(ii) Dividends

Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(iv) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are initially recognised as deferred income and consequently recognised in profit or loss over the useful life of the related asset.

(s) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates.

The results of foreign operations are translated into HK$ at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into HK$ at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are interrupted or complete.

(u) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group.

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 ACCOUNTING JUDGEMENT AND ESTIMATES

Note 23 contains information about the assumptions and their risk factors relating to fair value of financial instruments. Other key sources of estimation uncertainty are as follows:

(a) Impairment losses of property, plant and equipment

If circumstances indicate that the carrying amount of property, plant and equipment may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised in accordance with accounting policy for impairment of long-lived assets as described in note 2(i)(ii). These assets are tested for impairment whenever the events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of the fair value less costs of disposal and the value in use. In determining the value in use, expected future cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to the level of revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of the level of revenue and amount of operating costs. Changes in these estimates could have a significant impact on the carrying value of the assets and could result in additional impairment charge or reversal of impairment in future years.

(b) Impairment of trade and other receivables

The management maintains an allowance for doubtful accounts for estimated losses resulting from the inability of the debtors to make the required payments. The management bases the estimates on the assessment of recoverability of individual receivable balance, debtor creditworthiness, and historical write-off experience. If the financial condition of the customers and other debtors were to deteriorate, actual write-offs would be higher than estimated.

(c) Depreciation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual values. The management reviews the estimated useful lives and residual values of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The determination of the useful lives and residual values are based on historical experience with similar assets. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

4 REVENUE AND SEGMENT REPORTING

The principal activities of the Group are the sourcing, manufacturing and sale of plywood products and trading of round logs.

The executive directors of the Company have been identified as the chief operating decision makers (the "CODM"). The CODM review the Group's revenue analyses by products and by the geographical location in the delivery of goods in order to assess performance and allocation of resources.

Other than revenue analyses, no operating results and other discrete financial information are available for the assessment of performance by the respective major products and customers. The CODM review the results of the Group as a whole to make decisions. Accordingly, other than entity wide information, no other segment analysis is presented.

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

	2017 HK$'000	2016 HK$'000
Sales of general plywood	**93,372**	170,238
Sales of packing plywood	**24,848**	30,578
Sales of structural panel	**10,576**	2,311
Sales of floor base	**15,707**	20,013
Trading of round logs	**–**	16,909
Others	**790**	2,024
	145,293	242,073

(a) Information about major customers

Revenue from customers with whom transactions have exceeded 10% of the Group's revenue is as follows:

	2017 HK$'000	2016 HK$'000
Customer A	**63,451**	90,889
Customer B	**43,579**	65,795

Details of concentrations of credit risk are set out in note 23(a).

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Geographic information

The following table sets out information about the geographical location of the Group's revenue from external customers which is based on the location at which the goods are delivered.

	2017 HK$'000	2016 HK$'000
Japan	**130,731**	196,768
Thailand	**5,293**	33,259
South Korea	**–**	415
Hong Kong	**4,680**	7,834
Other countries	**4,589**	3,797
	145,293	242,073

The Group has operations in two principal geographical areas – Hong Kong and the People's Republic of China (the "PRC") during 2017 and 2016. Information about the Group's non-current assets (excluding available-for-sale investments) presented based on the location of the non-current assets is as below:

	2017 HK$'000	2016 HK$'000
Hong Kong	**1,525**	575
The PRC	**43,616**	28,587
	45,141	29,162

5 OTHER LOSSES

	2017 HK$'000	2016 HK$'000
Interest income	**(51)**	(11)
Sales of scrap materials	**–**	(151)
Net loss on disposal of property, plant and equipment	**58**	179
Net loss arising from forward foreign exchange contracts	**61**	307
Net loss on disposal of available-for-sale equity securities	**248**	30
Net foreign exchange losses	**1,286**	2,808
Others	**180**	(64)
	1,782	3,098

6 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	2017 HK$'000	2016 HK$'000
(a) Finance costs		
Interest on bank and other borrowings	**899**	1,263
Finance charges on obligations under a finance lease	**4**	14
	903	1,277

No borrowing costs have been capitalised for the year ended 31 March 2017 (2016: HK$Nil).

	2017 HK$'000	2016 HK$'000
(b) Staff costs#		
Salaries, wages and other benefits	**16,988**	21,040
Contributions to defined contribution retirement plans	**1,000**	1,703
Equity settled share-based payments	**772**	2,852
	18,760	25,595

6 LOSS BEFORE TAXATION (CONTINUED)

(b) Staff costs# (continued)

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of a trustee. The Group contributes 5% of relevant payroll costs to the scheme, of which contribution is matched by employees.

The employees of the Group's subsidiaries in the PRC are members of state-managed retirement benefit plan operated by the government of the PRC. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plans is to make the specified contributions.

	2017 HK$'000	2016 HK$'000
(c) Other items		
Depreciation#	**2,318**	2,321
Amortisation of lease prepayments	**475**	336
Impairment losses on property, plant and equipment (note 12(a))	**2,950**	–
Operating lease charges in respect of properties and machinery#	**2,334**	2,151
Auditors' remuneration	**922**	1,058
Cost of inventories#	**129,451**	212,068

Cost of inventories includes HK$10,870,000 (2016: HK$14,346,000) relating to staff costs, depreciation expenses and operating lease charges, which amount is also included in the respective total amounts disclosed separately above or in note 6(b) for each of these types of expenses.

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(a) Taxation in the consolidated statement of profit or loss and other comprehensive income represents:

	2017 HK$'000	2016 HK$'000
Current taxation: (note 21(a))		
– Provision for PRC Corporate Income Tax for the year	**409**	1,060
– Provision for Hong Kong Profits Tax for the year	**1**	112
– Over-provision of PRC Corporate Income Tax in prior years	**(536)**	(367)
	(126)	805
Deferred taxation: (note 21(b))		
– Origination and reversal of temporary differences	**(20)**	–
– The PRC Withholding Tax on retained profits to be distributed	**80**	(165)
	60	(165)
	(66)	640

(b) Reconciliation between tax expense and accounting loss at applicable tax rates:

	2017 HK$'000	2016 HK$'000
Loss before taxation	**(15,463)**	(8,810)
Income tax on loss before taxation, calculated at the rates applicable to profits in the jurisdictions concerned (notes (i), (ii) and (iii))	**(2,473)**	(1,623)
Tax effect of non-deductible expenses	**1,052**	1,483
Tax effect of tax losses and temporary differences not recognised	**1,816**	1,360
Tax effect of tax losses utilised where no deferred tax assets recognised in prior years	**(5)**	(48)
Over-provision in prior years	**(536)**	(367)
Withholding tax on undistributed profits of a PRC subsidiary	**80**	(165)
Income tax	**(66)**	640

Notes:

(i) The Company and the subsidiaries of the Group incorporated in Hong Kong are subject to Hong Kong Profits Tax rate of 16.5% for the year ended 31 March 2017 (2016: 16.5%).

(ii) The Company and the subsidiaries of the Group incorporated in the Cayman Islands and the British Virgin Islands (the "BVI") are not subject to any income tax pursuant to the rules and regulations of their respective countries of incorporation.

(iii) The subsidiaries of the Group established in the PRC (excluding Hong Kong) are subject to the PRC Corporate Income Tax rate of 25% for the year ended 31 March 2017 (2016: 25%).

8 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Retirement scheme contributions HK$'000	Share-based payments (note (ii)) HK$'000	2017 Total HK$'000
Executive directors						
Ms. Sun Xue Song (appointed on 12 August 2016)	–	160	–	–	–	160
Mr. Xue Zhao Qiang (appointed on 12 August 2016)	–	160	–	–	–	160
Mr. Huang Dong Sheng (note (i))	–	373	–	20	–	393
Ms. Wong Sut Keng (resigned on 12 August 2016)	–	319	–	17	–	336
Ms. Wong Hang Kuen (resigned on 12 August 2016)	–	294	–	16	–	310
Mr. Yeung Hung Yuen (resigned on 16 August 2016)	–	90	–	5	179	274
Non-executive director						
Mr. Huang Dong Sheng (note (i))	80	667	93	41	–	881
Independent non-executive directors						
Mr. Ding Hong Quan (appointed on 12 August 2016)	–	–	–	–	–	–
Ms. Dong Ping (appointed on 12 August 2016)	–	–	–	–	–	–
Mr. Zhu Da (appointed on 12 August 2016)	–	–	–	–	–	–
Mr. Chan Kai Nang (resigned on 12 August 2016)	45	–	–	2	–	47
Mr. Ho Chee Mun (resigned on 12 August 2016)	45	–	–	–	–	45
Mr. Yuen Kim Hung Michael (resigned on 12 August 2016)	45	–	–	2	–	47
	215	2,063	93	103	179	2,653

8 DIRECTORS' EMOLUMENTS (CONTINUED)

	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Retirement scheme contributions HK$'000	Share-based payments (note (ii)) HK$'000	2016 Total HK$'000
Executive directors						
Mr. Huang Dong Sheng	–	1,120	93	61	–	1,274
Ms. Wong Sut Keng	–	851	71	46	–	968
Ms. Wong Hang Kuen	–	784	65	42	–	891
Mr. Yeung Hung Yuen	–	240	20	13	583	856
Independent non-executive directors						
Mr. Chan Kai Nang	120	–	–	6	–	126
Mr. Ho Chee Mun	120	–	–	–	–	120
Mr. Yuen Kim Hung Michael	120	–	–	6	–	126
	360	2,995	249	174	583	4,361

No emoluments were paid by the Group to the directors during the year in connection with their retirement from employment or compensation for loss of office with the Group, or inducement to join. There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

Notes:

(i) On 12 August 2016, Mr. Huang Dong Sheng was re-designated from an executive director to a non-executive director of the Company.

(ii) These represent the estimated value of share options granted to a director under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in note 2(o)(ii).

The details of these benefits in kind, including the principal terms and number of options granted, are disclosed in note 20 and under the paragraph "Share Option Scheme" in the Report of the Directors.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2016: three) are directors whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the other two (2016: two) individuals are as follows:

	2017 HK$'000	2016 HK$'000
Salaries, allowances and benefits in kind	**1,009**	1,216
Discretionary bonuses	**84**	89
Share-based payments	**–**	583
Retirement scheme contributions	**55**	55
	1,148	1,943

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS (CONTINUED)

The emoluments of the two (2016: two) individuals who are not directors and who are amongst the five highest paid individuals of the Group are within the following bands:

	2017	2016
HK$Nil – HK$1,000,000	**2**	2

No emoluments were paid by the Group to these employees as an inducement to join or upon joining the Group or as compensation for loss of office during the year.

10 OTHER COMPREHENSIVE INCOME

	2017 HK$'000	2016 HK$'000
Available-for-sale equity securities:		
Changes in fair value recognised during the year	**174**	(298)
Reclassification to profit or loss upon disposal	**(12)**	30
Net movement in the fair value reserve	**162**	(268)
Exchange differences arising on translation of foreign operations	**(2,725)**	(1,465)
	(2,563)	(1,733)

11 LOSS PER SHARE

(a) Basic loss per share

The basic loss per share for the year ended 31 March 2017 is calculated based on the loss attributable to the equity shareholders of the Company of HK$15,397,000 (2016: HK$9,450,000) and the weighted average of 209,287,000 ordinary shares (2016: 200,000,000 ordinary shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2017 '000	2016 '000
Issued ordinary shares at 1 April	**200,000**	200,000
Effect of shares issued (note 22(c)(ii))	**9,024**	–
Effect of shares issued under share option scheme (note 22(c)(iii))	**263**	–
Weighted average number of ordinary shares at 31 March	**209,287**	200,000

(b) Diluted loss per share

The diluted loss per share for the year ended 31 March 2017 has not taken into account the effect of the outstanding share options as it would increase the loss per share, hence anti-dilutive.

12 PROPERTY, PLANT AND EQUIPMENT

(a) Reconciliation of carrying amount

	Plant and machinery HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
Cost						
At 1 April 2015	19,562	1,378	678	4,305	–	25,923
Exchange adjustments	(732)	(52)	(23)	(112)	–	(919)
Additions	1,925	–	28	–	796	2,749
Disposals	(301)	–	(25)	(227)	–	(553)
At 31 March 2016	20,454	1,326	658	3,966	796	27,200
Exchange adjustments	(1,283)	(83)	(29)	(167)	(50)	(1,612)
Additions	586	697	160	–	7,780	9,223
Transfer in/(out)	392	–	–	–	(392)	–
Disposals	(97)	–	(10)	–	–	(107)
At 31 March 2017	20,052	1,940	779	3,799	8,134	34,704
Accumulated depreciation and impairment losses						
At 1 April 2015	9,252	1,281	409	1,475	–	12,417
Exchange adjustments	(346)	(48)	(14)	(36)	–	(444)
Charge for the year	1,783	–	38	500	–	2,321
Written back on disposals	(164)	–	(20)	(61)	–	(245)
At 31 March 2016	10,525	1,233	413	1,878	–	14,049
Exchange adjustments	(660)	(77)	(22)	(70)	–	(829)
Charge for the year	1,678	100	64	476	–	2,318
Impairment losses (note)	2,950	–	–	–	–	2,950
Written back on disposals	(32)	–	(4)	–	–	(36)
At 31 March 2017	14,461	1,256	451	2,284	–	18,452
Net book value						
At 31 March 2017	5,591	684	328	1,515	8,134	16,252
At 31 March 2016	9,929	93	245	2,088	796	13,151

Note:

The Group sustained a loss for the year ended 31 March 2017. In view of the loss, management considered that indicators of potential impairment of property, plant and equipment existed at 31 March 2017. The Group assessed the recoverable amounts of property, plant and equipment, and as a result the carrying amount of plant and machinery was written down by an amount of HK$2,950,000 and such amount has been recognised as impairment losses included in administrative and other expenses. The estimates of the recoverable amount of these assets were based on their value in use. The discount rate adopted is 12.63%.

(b) Asset held under a finance lease

At 31 March 2017, the carrying amount of the motor vehicle held under a finance lease was HK$Nil (2016: HK$545,000).

13 LEASE PREPAYMENTS

	2017 HK$'000	2016 HK$'000
Cost:		
At 1 April	**16,609**	17,255
Exchange adjustments	**(1,041)**	(646)
Additions	**13,997**	–
At 31 March	**29,565**	16,609
Accumulated amortisation:		
At 1 April	**720**	403
Exchange adjustments	**(45)**	(19)
Charge for the year	**475**	336
At 31 March	**1,150**	720
Net book value:		
At 31 March	**28,415**	15,889
Representing:		
Current assets	**591**	332
Non-current assets	**27,824**	15,557
	28,415	15,889

Lease prepayments represent land use right premiums paid by the Group for land situated in the PRC. The land use rights are with lease terms of 50 years.

(Expressed in HK$ unless otherwise indicated)

14 INVESTMENTS IN SUBSIDIARIES

The following list contains the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group.

Name of subsidiaries	Place and date of establishment/ incorporation	Particulars of issued/registered and paid up capital	Proportion of ownership interest: The Group's effective interest	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activities
Million Champ Trading Limited	Hong Kong 21 March 2003	10,000 shares	99.99%	–	99.99%	Sale of plywood products and investment holding
Jiangmen Changda Wood Products Company Limited (江門市昌達木業有限公司)*	The PRC 13 October 2003	HK$5,000,000	99.99%	–	99.99%	Sourcing, manufacturing and sale of plywood products
CD Enterprises Company Limited	The BVI 17 April 2008	United States dollars ("US$") 100,000	100%	100%	–	Investment holding
Sunchance International Industrial Limited	Hong Kong 17 April 2008	10,000 shares	100%	–	100%	Sale of plywood products
Profit Chance Trading (Asia) Limited	Hong Kong 19 July 2011	10,000 shares	100%	–	100%	Sale of plywood products and investment holding
Million Champ Holdings (HK) Limited	Hong Kong 20 August 2012	10,000 shares	100%	–	100%	Sale of plywood products
Jiangmen Chance East Wood Products Company Limited (江門市駿東木業有限公司)*	The PRC 28 September 2012	US$10,000,000	100%	–	100%	Sourcing manufacturing and sale of plywood products
Star Resources Trading (HK) Limited	Hong Kong 3 October 2012	10,000 shares	100%	–	100%	Sale of plywood products
Access Well Limited	Hong Kong 1 April 2016	1 share	100%	100%	–	Investment holding
Lead Access International Holdings Limited	The BVI 3 May 2016	US$10	100%	100%	–	Investment holding
Global Sino Rich Limited	Hong Kong 29 September 2016	1 share	100%	–	100%	Investment holding
Hebei Jiapin Trading Limited (河北迦品貿易有限公司)*	The PRC 16 January 2017	Renminbi ("RMB") 50,000,000	100%	–	100%	Sale of wood products

* These companies are foreign owned enterprises established in the PRC. The English translation of their names are for reference only. The official names of these companies are in Chinese.

The directors of the Company consider that the Group's non-controlling interests are not material to the consolidated financial statements for the years ended 31 March 2017 and 2016.

15 INVENTORIES

(a) Investories in the consolidated statement of financial position comprise:

	2017 HK$'000	2016 HK$'000
Raw materials	**13,391**	15,836
Work in progress	**4,048**	3,247
Finished goods	**7,569**	10,873
	25,008	29,956

(b) The analysis of the amount of inventories recognised as an expense and included in the consolidated statement of profit or loss and other comprehensive income during the year is as follows:

	2017 HK$'000	2016 HK$'000
Carrying amount of inventories sold	**129,451**	212,068

16 TRADE AND OTHER RECEIVABLES

	2017 HK$'000	2016 HK$'000
Trade receivables due from third parties	**3,699**	5,556
Less: allowance for doubtful debts (note 16(b))	**(100)**	(106)
	3,599	5,450
Prepayments, deposits and other receivables:		
– Prepayments for purchase of inventories	**16,457**	4,180
– Others	**738**	294
	17,195	4,474
Less: allowance for doubtful debts (note 16(b))	**(896)**	(956)
	16,299	3,518
	19,898	8,968

All of the trade and other receivables are expected to be recovered or recognised as expenses within one year.

16 TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) Ageing analysis

As of the end of the reporting period, the ageing analysis of trade receivables, based on the invoice date and net of allowance for doubtful debts, is as follows:

	2017 HK$'000	2016 HK$'000
Within 30 days	**3,599**	5,450

(b) Impairment of trade and other receivables

Impairment losses in respect of trade and other receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade and other receivables directly (see note 2(i)(i)).

Except for exchange adjustments, there were no movements in the allowance for doubtful debts during the years ended 31 March 2017 and 2016.

(c) Trade receivables that are not impaired

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	2017 HK$'000	2016 HK$'000
Neither past due nor impaired	**3,599**	5,450

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

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.

Management of the Group closely monitors the credit quality of trade receivables and considers the debtors that are neither past due nor impaired to be of a good credit quality. Before accepting any new customers, the Group's management will assess the potential customers' credit quality and determine the credit limits for these customers. Credit limits granted to customers are reviewed periodically. At 31 March 2017, trade receivables with an aggregate carrying amount of HK$3,596,000 (2016: HK$5,445,000) are supported by letters of credit. The management considers that the credit risk is limited as the letters of credit are issued by banks with high credit ratings. For the remaining customers, impairment is made for trade debtors in financial difficulties. The Group does not hold any collateral over these balances.

Further details on the Group's credit policy are set out in note 23(a).

17 CASH AT BANK AND ON HAND

	2017 HK$'000	2016 HK$'000
Cash at bank and other financial institutions	**20,861**	70,717
Cash on hand	**36**	18
	20,897	70,735

The Group's operations in the PRC (excluding Hong Kong) are conducted in RMB. RMB is not a freely convertible currency and the remittance of RMB out of the PRC (excluding Hong Kong) is subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government.

18 TRADE AND OTHER PAYABLES

	2017 HK$'000	2016 HK$'000
Trade payables:		
– Amounts due to third parties	**10,143**	12,581
– Amounts due to a related party	**302**	302
	10,445	12,883
Other payables and accrued expenses:		
– Payables for staff related costs	**2,503**	3,377
– Value-added tax payables	**–**	765
– Amounts due to related parties (note (i))	**4,781**	–
– Payables for acquisition of property, plant and equipment	**1,789**	–
– Other accruals and payables	**2,413**	3,239
	11,486	7,381
Advances received from customers	**340**	902
	22,271	21,166

All of the trade and other payables at 31 March 2017 and 2016 are expected to be settled or recognised in profit or loss within one year or are repayable on demand.

Note:

(i) Amounts due to related parties are unsecured, non-interest bearing and have no fixed terms of repayment.

18 TRADE AND OTHER PAYABLES (CONTINUED)

As of the end of the reporting period, the ageing analysis of trade payables, based on the invoice date, is as follows:

	2017 HK$'000	2016 HK$'000
Within 30 days	**6,174**	4,980
31 to 60 days	**855**	1,845
61 to 90 days	**100**	1,968
Over 90 days	**3,316**	4,090
	10,445	12,883

19 BANK AND OTHER BORROWINGS

(a) The Group's bank and other borrowings are analysed as follows:

	2017 HK$'000	2016 HK$'000
Bank borrowings:		
– Secured (note (i))	**2,256**	–
– Unsecured	**–**	33,498
	2,256	33,498
Other borrowings:		
– Secured (note (ii))	**–**	3,295
	2,256	36,793

Notes:

(i) At 31 March 2017, bank borrowing of HK$2,256,000 (2016: HK$Nil) was secured by inter-company trade receivables and guaranteed by a subsidiary of the Group.

(ii) At 31 March 2017, other borrowings of HK$Nil (2016: HK$3,295,000) were secured by trade receivables of the Group.

(b) The Group's bank and other borrowings are repayable as follows:

	2017 HK$'000	2016 HK$'000
Within 1 year	**2,256**	16,787
After 1 year but within 2 years	**–**	6,307
After 2 years but within 5 years	**–**	13,699
	2,256	36,793

At 31 March 2016, bank and other borrowings of HK$36,793,000 were subject to a payable on demand clause and classified as current liabilities. The above repayment analysis is in accordance with the scheduled repayment dates set out in the loan agreements.

(Expressed in HK$ unless otherwise indicated)

19 BANK AND OTHER BORROWINGS (CONTINUED)

(c) At 31 March 2017, none of the Group's bank loans are subject to the fulfilment of covenants relating to financial ratios commonly found in lending arrangements with financial institutions.

Further details of the Group's management of liquidity risk are set out in note 23(b).

20 EQUITY SETTLED SHARE-BASED PAYMENTS

The Company has a share option scheme which was adopted on 9 February 2015 (the "Scheme") whereby the directors of the Company are authorised, at their discretion, to invite 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 the directors of the Company has contributed or will contribute to the Group, to take up options to subscribe for ordinary shares in the Company.

An option may be exercised in accordance with the terms of the Scheme at any time during a period commencing on such date on or after the date on which the option is granted as the directors of the Company may determine in granting the option and expiring at the close of business on such date as the directors of the Company 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). The Scheme will expire on 23 February 2025. Each option gives the holder the right to subscribe for one ordinary share in the Company and is settled gross in shares.

(a) The terms and conditions of the grants are as follows:

	Number of instruments	Vesting period	Exercisable period
Options granted to a director:			
– on 2 October 2015	666,666	Vest immediately	2 October 2015 to 23 February 2025
	666,667	2 October 2015 to 31 March 2016	1 April 2016 to 23 February 2025
	666,667	2 October 2015 to 31 March 2017	1 April 2017 to 23 February 2025
Options granted to employees:			
– on 2 October 2015	2,266,666	Vest immediately	2 October 2015 to 23 February 2025
	2,266,667	2 October 2015 to 31 March 2016	1 April 2016 to 23 February 2025
	2,266,667	2 October 2015 to 31 March 2017	1 April 2017 to 23 February 2025
– on 19 November 2015	333,333	Vest immediately	19 November 2015 to 23 February 2025
	333,333	19 November 2015 to 31 March 2016	1 April 2016 to 23 February 2025
	333,334	19 November 2015 to 31 March 2017	1 April 2017 to 23 February 2025
Total share options granted	9,800,000		

(Expressed in HK$ unless otherwise indicated)

20 EQUITY SETTLED SHARE-BASED PAYMENTS (CONTINUED)

(b) The number and weighted average exercise prices of share options are as follows:

	2017		2016	
	Weighted average exercise price HK$	**Number of options**	Weighted average exercise price HK$	Number of options
Outstanding at the beginning of the year	**0.83**	**9,800,000**	–	–
Granted during the year	**–**	**–**	0.83	9,800,000
Exercised during the year	**0.83**	**(333,333)**	–	–
Forfeited during the year	**0.83**	**(166,667)**	–	–
Cancelled during the year (note)	**0.83**	**(9,300,000)**	–	–
Outstanding at the end of the year		**–**	0.83	9,800,000
Exercisable at the end of the year		**–**	0.83	3,266,665

Note:

On 22 June 2016, Ms. Sun Xue Song and Mr. Xue Zhao Qiang ("Joint Offerors") made an unconditional mandatory offer to all the holders of the outstanding 9,300,000 share options at HK$0.84 in cash for each share option with an exercise price of HK$0.83 and HK$0.82 in cash for each share option with an exercise price of HK$0.85 (the "Option Offer"). The holders of the share options are entitled to exercise or sell the share options in full within 14 days after the dispatch date of the offer document dated 22 July 2016. Otherwise, the right to exercise an option will lapse.

On 12 August 2016, the Joint Offerors received valid acceptances in respect of all 9,300,000 share options. These share options were cancelled after the settlement of the Option Offer.

The Group accounted for the cancellation of share options as an acceleration of vesting, and therefore recognised immediately the amount of HK$528,000 that otherwise would have been recognised for services received over the remainder of the vesting period. The equity amount recognised in the share option reserve was transferred to accumulated losses.

21 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	2017 HK$'000	2016 HK$'000
Income tax payable at 1 April	**64**	1,620
Provision for the year (note 7(a))	**410**	1,172
Over-provision in prior years (note 7(a))	**(536)**	(367)
Income tax refunded/(paid) during the year	**270**	(2,361)
Income tax payable at 31 March	**208**	64
Representing:		
Income tax recoverable	**(751)**	(523)
Income tax payable	**959**	587
	208	64

(b) Deferred tax liabilities recognised:

The components of deferred tax liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

Deferred tax arising from:	**Accelerated tax depreciation** HK$'000	**Withholding tax on undistributed profits of the subsidiaries** HK$'000	**Total** HK$'000
At 1 April 2015	71	600	671
Credited to the consolidated statement of profit or loss and other comprehensive income (note 7(a))	–	(165)	(165)
At 31 March 2016	71	435	506
At 1 April 2016	71	435	506
(Credited)/charged to the consolidated statement of profit or loss and other comprehensive income (note 7(a))	(20)	80	60
At 31 March 2017	51	515	566

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 2(p), the Group has not recognised deferred tax assets in respect of unused tax losses and temporary differences of HK$13,021,000 at 31 March 2017 (2016: HK$3,746,000), as it is not probable that future taxable profits against which the losses and temporary differences can be utilised will be available in the relevant tax jurisdiction and entity.

22 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Share capital HK$'000 (note 22(c))	Share premium HK$'000 (note 22(d)(i))	Share option reserve HK$'000 (note 22(d)(ii))	Other reserve HK$'000 (note 22(d)(iii))	Accumulated losses HK$'000	Total HK$'000
Balance at 1 April 2015	2,000	51,628	–	34,132	(18,933)	68,827
Changes in equity for the year ended 31 March 2016:						
Total comprehensive income for the year	–	–	–	–	(4,162)	(4,162)
Equity settled share-based payments (note 20)	–	–	2,852	–	–	2,852
Balance at 31 March 2016	2,000	51,628	2,852	34,132	(23,095)	67,517
Balance at 1 April 2016	2,000	51,628	2,852	34,132	(23,095)	67,517
Changes in equity for the year ended 31 March 2017:						
Total comprehensive income for the year	–	–	–	–	(4,612)	(4,612)
Issuance of shares (note 22(c)(ii))	184	20,402	–	–	–	20,586
Shares issued under share option scheme (note 22(c)(iii))	3	373	(100)	–	–	276
Equity settled share-based payments (note 20)	–	–	772	–	–	772
Cancellation of share options (note 20(b))	–	–	(3,524)	–	3,524	–
Balance at 31 March 2017	2,187	72,403	–	34,132	(24,183)	84,539

(b) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year

The directors of the Company do not recommend the payment of a final dividend for the year ended 31 March 2017 (2016: HK$Nil).

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

The directors of the Company did not recommend the payment of a dividend for the year ended 31 March 2016 (2015: HK$Nil).

22 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Share capital

(i) Issued share capital

	2017 No. of shares '000	2017 HK$'000	2016 No. of shares '000	2016 HK$'000
Authorised:				
Ordinary shares of HK$0.01 each	**10,000,000**	**100,000**	10,000,000	100,000

	2017 No. of shares '000	2017 HK$'000	2016 No. of shares '000	2016 HK$'000
Ordinary shares, issued and fully paid:				
At 1 April	**200,000**	**2,000**	200,000	2,000
Shares issued (note 22(c)(ii))	**18,400**	**184**	–	–
Shares issued under share option scheme (note 22(c)(iii))	**333**	**3**	–	–
At 31 March	**218,733**	**2,187**	200,000	2,000

(ii) On 23 September 2016, the Company entered into a placing agreement with a placing agent, pursuant to which the Company agreed to place, through the placing agent, a maximum of 18,400,000 new shares to independent placees at a price of HK$1.13 per share.

On 4 October 2016, the placing of 18,400,000 shares in the Company was completed. HK$184,000 of the proceeds was credited to the Company's share capital. The remaining proceeds, net of transaction costs, of HK$20,402,000 were credited to the Company's share premium account.

(iii) On 17 June 2016, share options were exercised to subscribe for 333,333 ordinary shares in the Company at a consideration of HK$276,000. HK$3,000 of the proceeds was credited to the Company's share capital. The remaining proceeds of HK$273,000 were credited to the Company's share premium account. HK$100,000 was transferred from the share option reserve to the share premium account in accordance with policy set out in note 2(o)(ii).

22 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(d) Nature and purpose of reserves

(i) Share premium

The application of the share premium account is governed by Section 34 of the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

(ii) Share option reserve

Share option reserve represents the fair value of unexercised share options granted to a director of the Company and employees of the Group that has been recognised in accordance with the accounting policy adopted for share-based payments in note 2(o)(ii).

(iii) Other reserve

Other reserve comprises:

– Capital contribution from the equity shareholders of the Company in the form of waived amounts due to them of HK$33,352,000.

– Other changes in equity arising from the group reorganisation took place during the listing of the Company's shares in prior years.

(iv) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale equity securities held at the end of the reporting period and is dealt with in accordance with the accounting policies in note 2(e).

(v) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations into HK$. The reserve is dealt with in accordance with the accounting policies set out in note 2(s).

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debt (which includes trade and other payables, bank and other borrowings and obligations under a finance lease) less cash at bank and on hand. Capital comprises all components of equity.

During the year ended 31 March 2017, the Group's strategy was to maintain the adjusted net debt-to-capital ratio at an acceptable level. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to equity shareholders, issue new shares, return capital to equity shareholders, raise new debt financing or sell assets to reduce debt.

22 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(e) Capital management (continued)

The Group's adjusted net debt-to-capital ratio at 31 March 2017 and 2016 was as follows:

	2017 HK$'000	2016 HK$'000
Trade and other payables	**22,271**	21,166
Bank and other borrowings	**2,256**	36,793
Obligations under a finance lease	**–**	263
Total debt	**24,527**	58,222
Less: Cash at bank and on hand	**(20,897)**	(70,735)
Adjusted net debt/(asset)	**3,630**	(12,513)
Total equity	**86,585**	82,911
Adjusted net debt-to-capital ratio	**4%**	N/A

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

23 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed on all customers and debtors. These evaluations focus on the customer's and debtor's past history of making payments when due and current ability to pay, and take into account information specific to the customer and debtors as well as pertaining to the economic environment in which the customer and debtors operate. The Group usually accepts letters of credit issued by commercial banks to facilitate payment in its trade with overseas customers. Most of the sales are settled by letters of credit. The credit risk is limited as the letters of credit are issued by banks with high credit ratings. For other customers, the Group reviews the recoverable amount of each individual trade receivable at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer or debtor rather than the industry in which the customers and the debtors operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers and debtors. At the end of the reporting period, 50% (2016: 76%) and 100% (2016: 100%) of the total trade receivables was due from the Group's largest trade debtor and the five largest trade debtors, respectively.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 16.

23 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(b) Liquidity risk

The Company is responsible for the Group's overall cash management and the raising of borrowings to cover expected cash demands. The Group's policy is to regularly monitor its current and expected liquidity requirements, to ensure that it maintains sufficient reserves of cash to meet its liquidity requirement in the short and longer term.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest dates the Group can be required to pay.

	2017	
	Contractual undiscounted cash outflow within 1 year or on demand HK$'000	**Carrying amount HK$'000**
Trade and other payables measured at amortisation cost	**21,931**	**21,931**
Bank and other borrowings	**2,291**	**2,256**
At 31 March	**24,222**	**24,187**

	2016 Contractual undiscounted cash outflow				
	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	Total HK$'000	Carrying amount HK$'000
Trade and other payables measured at amortisation cost	20,264	–	–	20,264	20,264
Obligations under a finance lease	267	–	–	267	263
Bank and other borrowings	17,686	7,015	14,349	39,050	36,793
At 31 March	38,217	7,015	14,349	59,581	57,320

	2017		2016	
	Contractual undiscounted cash inflow/(outflow) within 1 year or on demand HK$'000	**Carrying amount HK$'000**	Contractual undiscounted cash inflow/(outflow) within 1 year or on demand HK$'000	Carrying amount HK$'000
Derivatives settled gross:				
Forward foreign exchange contracts				
– inflow	–	–	13,805	13,709
– outflow	–	–	(14,115)	(14,016)

23 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(c) Interest rate risk

The Group's interest rate risk arises primarily from interest bearing borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively.

(i) Interest rate profile

The following table details the interest rate profile of the Group's borrowings at the end of the reporting period.

	2017		2016	
	Effective interest rate %	**HK$'000**	Effective interest rate %	HK$'000
Fixed rate borrowings:				
Obligations under a finance lease	**–**	**–**	1.68%	263
Bank and other borrowings	**3.20%**	**2,256**	–	–
		2,256		263
Variable rate borrowings:				
Bank and other borrowings	**–**	**–**	3.25%~5.5%	36,793
Total borrowings		**2,256**		37,056
Fixed rate borrowings as a percentage of total borrowings		**100%**		1%

(ii) Sensitivity analysis

No sensitivity analysis was performed for the year ended 31 March 2017, as the Group's fixed rate borrowings do not expose the Group to cash flow interest rate risk. At 31 March 2016, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have increased/decreased the Group's loss after tax and accumulated losses by approximately HK$308,000.

The sensitivity analysis above indicates the instantaneous change in the Group's loss after tax and accumulated losses assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those non-derivative financial instruments held by the Group which expose the Group to cash flow interest rate risk at the end of the reporting period. The impact on the Group's loss after tax and accumulated losses is estimated as an annualised impact on interest expenses of such a change in interest rates.

23 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(d) Currency risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily US$, HK$ and RMB. The Group manages this risk as follows:

(i) Recognised assets and liabilities

In respect of cash at bank, receivables, payables, obligations under a finance lease and borrowings denominated in foreign currencies, the Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances and entering into forward foreign exchange contracts. The Group does not currently designate any hedge relationship on the forward foreign exchange contracts for the purpose of hedge accounting.

(ii) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in HK$, translated using the spot rate at the year end date. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded.

	Exposure to foreign currencies (expressed in HK$)					
	2017			2016		
	US$	**HK$**	**RMB**	US$	HK$	RMB
	HK$'000	**HK$'000**	**HK$'000**	HK$'000	HK$'000	HK$'000
Cash at bank and on hand	**3,374**	**7,488**	**141**	3,466	55,811	148
Trade and other receivables	**14,521**	**2,700**	**–**	9,929	–	–
Other non-current assets	**–**	**515**	**–**	–	–	–
Trade and other payables	**(1,759)**	**(6,348)**	**–**	(4,758)	(2,647)	–
Bank and other borrowings	**–**	**–**	**–**	–	(29,561)	–
Obligations under a finance lease	**–**	**–**	**–**	–	(263)	–
Gross exposure arising from recognised assets and liabilities	**16,136**	**4,355**	**141**	8,637	23,340	148

23 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(d) Currency risk (continued)

(iii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's loss after tax and accumulated losses that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between HK$ and US$ would be materially unaffected by any changes in movement in value of the US$ against other currencies.

	2017		2016	
	Increase/ (decrease) in foreign exchange rates	**(Decrease)/ increase in loss after tax and accumulated losses HK$'000**	Increase/ (decrease) in foreign exchange rates	(Decrease)/ Increase in loss after tax and accumulated losses HK$'000
US$	**5%**	**(605)**	5%	(324)
	(5)%	**605**	(5)%	324
HK$	**5%**	**(101)**	5%	–
	(5)%	**101**	(5)%	–
RMB	**5%**	**(6)**	5%	(6)
	(5)%	**6**	(5)%	6

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' loss after tax and equity measured in the respective functional currencies, translated into HK$ at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency, which depends on the foreign currencies the Group is exposed to, may or may not have an effect on the Group's net assets. The analysis is performed on the same basis for 2016.

(e) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

– Level 1 valuations: Fair value measured using only Level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

23 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(e) Fair value measurement (continued)

(i) Financial assets and liabilities measured at fair value (continued)

Fair value hierarchy (continued)

– Level 2 valuations: Fair value measured using Level 2 inputs, i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

– Level 3 valuations: Fair value measured using significant unobservable inputs.

	Fair value at 31 March 2017 HK$'000	**Fair value measurements as at 31 March 2017 categorised into Level 1** HK$'000
Recurring fair value measurements		
Trading securities	351	351

	Fair value at 31 March 2016	Fair value measurements as at 31 March 2016 categorised into	
		Level 1	Level 2
	HK$'000	HK$'000	HK$'000
Recurring fair value measurements			
Assets:			
Available-for-sale investments	449	449	–
Liabilities:			
Derivative financial instruments:			
– Forward foreign exchange contracts	307	–	307

During the years ended 31 March 2017 and 2016, there were no transfers between level 1 and level 2, or transfers into or out of level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(ii) Fair values of financial assets and liabilities carried at other than fair value
The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values at 31 March 2017 and 2016.

24 COMMITMENTS

(a) Capital commitments

At 31 March 2017, the outstanding capital commitments of the Group not provided for the consolidated financial statements were summarised as follows:

	2017 HK$'000	2016 HK$'000
Commitments in respect of property, plant and equipment		
– Contracted for	**32,093**	354

(b) Operating lease commitments

At 31 March 2017, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2017 HK$'000	2016 HK$'000
Within 1 year	**2,654**	1,825
After 1 year but within 5 years	**785**	2,022
	3,439	3,847

The Group leases certain properties and machinery under operating leases. None of the leases includes contingent rentals.

25 RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in the financial statements, the material related party transactions entered into by the Group during the year are set out below.

(a) Transactions with related parties

	2017 HK$'000	2016 HK$'000
Operating lease expenses	**276**	276
Advances from a related party	**4,700**	–

(b) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the directors of the Company as disclosed in note 8, and certain of the highest paid employees as disclosed in note 9, is as follows:

	2017 HK$'000	2016 HK$'000
Short-term employee benefits	**3,473**	4,963
Contributions to defined contribution retirement plans	**158**	246
Equity settled share-based payments	**187**	729
	3,818	5,938

Total remuneration is included in "staff costs" (see note 6(b)).

25 RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Applicability of the Listing Rules relating to connected transactions

The related party transactions in respect of operating lease above constitute continuing connected transactions as defined in Chapter 20 of the Listing Rules. However those transactions are exempt from the disclosure requirements in Chapter 20 of the Listing Rules as they are below the de minimis threshold under Rule 20.74(1).

The related party transactions in respect of advances from a related party constitute connected transactions as defined in the Chapter 20 of the Listing Rules. However those transactions are exempt from the disclosure requirements in Chapter 20 of the Listing Rules under Rule 20.88.

26 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	**2017 HK$'000**	2016 HK$'000
Non-current assets			
Investments in subsidiaries		**790**	780
Current assets			
Amounts due from subsidiaries		**82,545**	21,691
Cash at bank and on hand		**2,360**	45,414
		84,905	67,105
Current liabilities			
Other payables		**1,156**	368
Net current assets		**83,749**	66,737
NET ASSETS		**84,539**	67,517
CAPITAL AND RESERVES	22		
Share capital		**2,187**	2,000
Reserves		**82,352**	65,517
TOTAL EQUITY		**84,539**	67,517

Approved and authorised for issue by the board of directors on 23 June 2017.

Sun Xue Song
Chairman and Executive Director

Xue Zhao Qiang
Executive Director

(Expressed in HK$ unless otherwise indicated)

27 COMPARATIVE FIGURES

Certain classification adjustments have been made to the comparative figures to conform to the current year's presentation.

28 POSSIBLE IMPACT OF NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2017

Up to the date of issue of these financial statements, the HKICPA has issued a number of new standards and amendments to standards which are not yet effective for the year ended 31 March 2017 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 7, *Statement of cash flows: Disclosure initiative*	1 January 2017
Amendments to HKAS 12, *Income taxes: Recognition of deferred tax assets for unrealised losses*	1 January 2017
HKFRS 9, *Financial instruments*	1 January 2018
HKFRS 15, *Revenue from contracts with customers*	1 January 2018
HKFRS 16, *Leases*	1 January 2019

The Group is in the process of making an assessment of what the impact of these new standards and amendments to standards is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. As the Group has not completed its assessment, further impacts may be identified in due course and will be taken into consideration when determining whether to adopt any of these new requirements before their effective date and which transitional approach to take, where there are alternative approaches allowed under the new standards.

HKFRS 9, Financial instruments

HKFRS 9 will replace the current standard on accounting for financial instruments, HKAS 39, *Financial instruments: Recognition and measurement*. HKFRS 9 introduces new requirements for classification and measurement of financial assets, calculation of impairment of financial assets and hedge accounting. On the other hand, HKFRS 9 incorporates without substantive changes the requirements of HKAS 39 for recognition and derecognition of financial instruments and the classification of financial liabilities. Expected impacts of the new requirements on the Group's financial statements are as follows:

(a) Classification and measurement

HKFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss ("FVTPL") and (3) fair value through other comprehensive income ("FVTOCI") as follows:

– The classification for debt instruments is determined based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the asset. If a debt instrument is classified as FVTOCI then effective interest, impairments and gains/losses on disposal will be recognised in profit or loss.

– For equity securities, the classification is FVTPL regardless of the entity's business model. The only exception is if the equity security is not held for trading and the entity irrevocably elects to designate that security as FVTOCI. If an equity security is designated as FVTOCI then only dividend income on that security will be recognised in profit or loss. Gains, losses and impairments on that security will be recognised in other comprehensive income without recycling.

28 POSSIBLE IMPACT OF NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2017 (CONTINUED)

HKFRS 9, Financial instruments (continued)

(a) Classification and measurement (continued)
Based on the preliminary assessment, the Group expects that its financial assets currently measured at amortised cost and FVTPL will continue with their respective classification and measurements upon the adoption of HKFRS 9.

(b) Impairment
The new impairment model in HKFRS 9 replaces the "incurred loss" model in HKAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure expected credit losses as either 12-month expected credit losses or lifetime expected credit losses, depending on the asset and the facts and circumstances. This new impairment model may result in an earlier recognition of credit losses on the Group's trade receivables and other financial assets. However, a more detailed analysis is required to determine the extent of the impact.

HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. HKFRS 15 will replace the existing revenue standards, HKAS 18, *Revenue*, which covers revenue arising from sale of goods and rendering of services, and HKAS 11, Construction contracts, which specifies the accounting for revenue from construction contracts. The Group is currently assessing the impacts of adopting HKFRS 15 on its financial statements. Based on the preliminary assessment, the Group has identified the following areas which are likely to be affected:

Timing of revenue recognition

The Group's revenue recognition policies are disclosed in note 2(r). Currently, revenue arising from the sale of goods is generally recognised when the risks and rewards of ownership have passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. HKFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

(i) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

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

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

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

As a result of this change from the risk-and-reward approach to the contract-by-contract transfer-of-control approach, it is possible that once the Group adopts HKFRS 15 some of the Group's sales of plywood products that are currently recognised at a point in time may meet the HKFRS 15 criteria for revenue recognition over time. This will depend on the terms of the sales contract and the enforceability of any specific performance clauses in that contract, which may vary depending on the jurisdiction in which the contract would be enforced. It is also possible that for the remainder of the Group's contracts the point in time when revenue is recognised may be earlier or later than under the current accounting policy. However, further analysis is required to determine whether this change in accounting policy may have a material impact on the amounts reported in any given financial reporting period.

28 POSSIBLE IMPACT OF NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2017 (CONTINUED)

HKFRS 16, Leases

As disclosed in note 2(h), currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee.

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the consolidated statement of profit or loss and other comprehensive income over the period of the lease. As disclosed in note 24(b), at 31 March 2017 the Group's future minimum lease payments under non-cancellable operating leases amount to HK$3,439,000 for properties and machinery, some of which is payable between 1 and 5 years after the reporting date. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effects of discounting.

The Group is considering whether to adopt HKFRS 16 before its effective date of 1 January 2019. However, early adoption of HKFRS 16 is only permitted if this is no earlier than the adoption of HKFRS 15. It is therefore unlikely that HKFRS 16 will be adopted before the effective date of HKFRS 15, being 1 January 2018.

Summary of Financial Information

The following is a summary of the published consolidated results and of the assets and liabilities of the Group for the past five financial years:

	Year ended 31 March				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
Continuing operations					
Revenue	**145,293**	242,073	308,290	281,791	253,815
(Loss)/profit before taxation	**(15,463)**	(8,810)	5,997	(5,832)	9,625
Income tax	**66**	(640)	(3,878)	(3,134)	(2,362)
(Loss)/profit from continuing operations	**(15,397)**	(9,450)	2,119	(8,966)	7,263
Discontinued operation					
Loss from discontinued operation	**–**	–	–	(3,963)	(162)
(Loss)/profit for the year	**(15,397)**	(9,450)	2,119	(12,929)	7,101
Attributable to:					
Equity shareholders/owners of the Company	**(15,397)**	(9,450)	2,119	(13,764)	3,938
Non-controlling interests	**–**	–	–	835	3,163
	(15,397)	(9,450)	2,119	(12,929)	7,101

	As at 31 March				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES					
Non-current assets	**45,141**	29,611	30,996	32,126	31,525
Current assets	**67,496**	112,922	119,668	80,701	94,501
Current liabilities	**25,486**	59,116	58,488	110,053	98,677
Non-current liabilities	**566**	506	934	919	–
Total equity	**86,585**	82,911	91,242	1,855	27,349
Attributable to:					
Equity shareholders/owners of the Company	**86,585**	82,911	91,242	1,855	26,498
Non-controlling interests	**–**	–	–	–	851
	86,585	82,911	91,242	1,855	27,349

Notes:

(1) The summary of the consolidated results of the Group for the years ended 31 March 2013 and 2014 and of the assets and liabilities of the Group as at 31 March 2013 and 2014 have been extracted from the Prospectus. The summary for the years ended 31 March 2013, 2014 and 2015 was prepared as if the current structure of the Group had been in existence throughout these financial years.

(2) The consolidated results of the Group for the years ended 31 March 2016 and 2017 are set out on page 31 of this annual report.

(3) The consolidated assets and liabilities of the Group at 31 March 2016 and 2017 are set out on page 32 of this annual report.

(4) The summary above does not form part of the audited consolidated financial statements.